

BULLETIN

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NATIONAL ASSOCIATION NOTES.

Topics for Discussion.

NOVEMBER.

"The promotion of the use of the Mercantile Agency Records by all of the members of the Association."

DECEMBER.

"Are the rates charged by banks for collecting out-of-town checks excessive?"

Meeting of the Board of Directors.

A meeting of the Board of Directors will be held at Chicago, Ill., Monday, Nov. 24, 1902. The session of the Board will be occupied by the consideration of reports from the officers, and a general review of matters of interest to the Association. It is expected that at this meeting plans of a more definite and systematic character than any heretofore employed will be adopted, looking to an increase in membership. The matter of securing a paid organizer seems to be popular and is another subject that will be acted upon by the Board.

DUP. BICH. 21 JAN 1903 B & C

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Commercial Expansion and Growth of Credits With Some Notes on the Republic of Mexico.

ADDRESS BY VOLNEY W. FOSTER AT THE BANQUET OF THE CHICAGO CREDIT MEN'S ASSOCIATION, AUDITORIUM HOTEL, CHICAGO, SEPTEMBER 17, 1902.

GENTLEMEN OF THE CREDIT MEN'S ASSOCIATION:

I fully realize the honor there was in your invitation to address you, and the peril also that accompanied it. After some reflection I concluded that I could add neither to your wisdom nor to your happiness, and only on further solicitation of your members did I conclude that I would at least join you at your dinner.

I have always had a very high opinion of the wisdom of credit men. I have never been acquainted with many in my life, and so they exist for me as a sort of mysterious hidden dynamite attachment to great institutions, whose verdict is to be greatly feared by the weak and wicked, particularly the weak. I suppose that the selection of the occupation and the opportunities for such employment arise from a natural instinct in the individual to a very considerable extent, and that your best conclusions are the combination of the qualities of instinct and of intellect, and that it may be said of many of you that you have great "noses for credits." For the possession of the instinct you may be indebted to some of your earliest ancestors, and of this I had evidence on an occasion when I was walking upon a Chicago street in company with a friend who was engaged in the lumber business, and who was complaining to me that he found it difficult to employ competent credit men. Just at this juncture of our conversation we were opposite the window of a bird and animal store, in which there was a particularly intelligent looking monkey. I was very much interested in him, as I always am in those people. He was in a cage that evidently had not been cleaned in some time. He had, however, received his breakfast, thrown upon the bottom of the cage in the form of shelled peanuts, and was carefully using two faculties—sight and smell—in determining the edibility of the nuts which he gathered with his hand. He, however, became somewhat abstracted, and met our gaze with an interest no doubt equal to our own, and continued to look at us while he also continued the selection of the peanuts, and applying at that time only the one faculty, namely, that of smell, to their inspection before eating. On one occasion he had evidently been unfortunate in his selection, and, still gazing at us, raised the object to his nose, but threw it away with such lightning speed as to indicate his extraordinary power of discrimination, and I said to my friend, "There is your credit man for you." Very much depends upon your judgment, and credits will be extended or restricted as you may determine, but as our relations to the commercial world are so rapidly enlarging, it will be necessary for you also to enlarge your knowledge of the other nations, and to weigh and measure the credits that may be extended, at least to our near neighbors, based upon an understanding of the moral and commercial lexicon of those countries. Our Latin-American friends have not exactly the same method of transacting business that we have. They believe that there are many things as important as the due date on a note, and in fact there are many excellent neighborhoods in which it is believed that gentlemen are never quite so particular. I have no doubt that you have already made a good start toward obtaining and classifying the knowledge necessary to meet the necessities of our extended commerce. We have already invaded countries new to us, and still they were not new. Their habits of business and methods and channels of interchange have been established for hundreds of years, and this fact, together with perhaps other good reasons, will make it a labor of time and wisdom to secure the general payment of balances in New York or Chicago exchange instead of sterling exchange. It may be interesting to you to speak for a moment of the great growth that has taken place in the republic of Mexico since 1893, and for this reason I have obtained some data and a few statistics, assisted by Senor Enrique C. Creel, of Chihuahua, the leading commercial spirit of Mexico; and Lie. Joaquin D. Casasus, of the City of Mexico, the leading authority of Mexico on finance, and author of many of the laws concerning banking. If I read all these to you it would consume some seven or eight minutes of time, but perhaps they would be of special interest, after all.

STATEMENT BY SENOR ENRIQUE C. CREEL, OF CHIHUAHUA, AUGUST 1, 1901.

"The first bank was established in the City of Mexico in 1805, under the name of 'Bank of London, Mexico and South America.' This bank was a branch of the parent institution, established in London, with branches in Mexico and Peru. The Bank of London, Mexico and South America never published a statement of its business, and its capital was not known, but it is believed that it was not over \$500,000. This bank was very prosperous, and has been increasing its capital from

time to time. In 1885 it was re-organized under the name of Bank of London and Mexico as an independent institution from the Bank of London, Mexico and South America, which has continued doing business in London. The capital of the Bank of London and Mexico in 1885 was \$1,500,000, and since then the capital has been increased to \$15,000,000, with a surplus of \$4,750,000.

"The second bank, 'Banco de Chihuahua,' was established in the City of Chihuahua in 1876, with a capital of \$100,000. This bank also did a prosperous business.

"In 1881 the 'Banco Nacional Mexicano' was established in the City of Mexico, which bank was consolidated with another bank, established in 1883 under the name of 'Banco Mercantil de Mexico.' The consolidated bank was then called 'Banco Nacional de Mexico,' and was organized with a capital of \$20,000,000.

"After 1884 other banks were established in the different states of the republic from time to time, and it was not until 1897 that the first banking law was issued in Mexico, and since then most of the banks now in existence have been established. Banking in Mexico has been a safe, conservative, sound business, and its growth has been of great assistance to the development of the country. Before there were any banks in the republic, the rate of interest was as high as 2 per cent. per month, and the exchange from one place of the republic to another was as high as 12 per cent. Condensing in figures the development of the banking business in Mexico, I will give the following information as represented by the assets of all the banks of the republic:

1865	\$1,000,000.00	1899	\$210,295,000.00
1878	5,000,000.00	1900	259,264,000.00
1885	30,000,000.00	May 31, 1901	262,057,253.31
1893	92,800,296.97	July 31, 1901	270,141,624.28
1898	176,198,000.00		

The stock of silver money carried by the banks of Mexico has been as follows:

1865	\$500,000.00	1899	\$48,719,000.00
1878	2,000,000.00	1900	55,344,000.00
1885	10,000,000.00	May 31, 1901	53,913,411.00
1893	18,921,037.68	July 31, 1901	59,590,999.00
1898	40,613,000.00		

"Previous to 1897, as I have mentioned before, there was no banking law in Mexico, and some of the banks operated under federal charters and others under state charters, but since March 19, 1897, all of the banks of Mexico are under the federal banking law and under the supervision of the federal government. The department of finance appoints a bank examiner for every one of the banks; every bank passes an examination once a month; the statement of the bank is published in the official newspaper of the City of Mexico and in all of the official newspapers of the different states of the Union. Something which is very remarkable is that a bank has never failed in Mexico, while in the United States, as you know, 393 national banks have failed since 1863, representing a capital of \$65,477,420.

"The banks of Mexico have paid dividends on an average of 10 per cent, besides carrying \$13,840,499.54 as surplus or undivided profits.

"In the United States the average has been 7.26 per cent.

"At present the total amount of money, silver and paper currency in circulation in this country is as follows:

Silver held by the banks	\$59,500,000.00
Silver held by merchants and others	50,000,000.00
Bank notes in circulation	73,000,000.00
	\$182,500,000.00

which amount is about \$13 per capita. In the United States you have \$26.21 per capita, and in Great Britain, \$17.46. The interest on money has been reduced in the City of Mexico to 8 per cent. per annum, and in the different states of the Union to 10 per cent. per annum. The tendency is to lower the interest to 7 per cent. per annum in the City of Mexico and to 8 per cent. in the states, which will very likely be done in the next twelve months.

"The circulation of bank notes is guaranteed as follows:

"First—It is a first lien on the assets of the bank.
 "Second—By a deposit in silver of 50 per cent. of the total amount in circulation, which is held by the banks on deposit, and subject at any time to the examination of the finance department, through its different agents and bank examiner.

"The exchange from one city to another, which at one time was as high as 15 per cent, is at present on an average of one-fourth of 1 per cent. The bank notes circulate freely all through the republic at par, and the banking facilities are excellent, although more money is needed in Mexico to develop its natural resources. The people of Mexico are just starting to receive a banking education, and the use of the check system, which was unknown some twenty years ago, is now in general use.

"It has been somewhat difficult to educate the people to save money and to make any deposits with the banks, but a progress is noticed in this line, and the total amount of deposits in the banks has been increasing as follows:

	Sight Deposits.	Time Deposits.
1893.....	\$1,000,000.00	\$27,946,727.00
1898.....	1,937,000.00	62,058,000.00
1899.....	1,702,000.00	79,324,000.00
1900.....	4,407,000.00	98,687,000.00
May, 1901.....	11,107,463.00	88,422,000.00
July, 1901.....	11,828,541.00	92,793,335.00

"You will notice that the time deposits are the heavier, because the people of this country are using the banks to place money at interest on six months' and twelve months' time. The authorized capital stock of twenty-four banks established in Mexico is \$78,300,000, against \$662,947,865 which your 3,571 national banks represent in the United States. As Mexico has great natural resources which are not developed yet, they need a good deal of money, and very likely the authorized capital of the banks will be increased very materially in the next ten years.

"So that you may judge of the growth of Mexico from other sources independent of banking, I will now say a few words as to

RAILROADS.

"The mileage of railroads in Mexico is represented by the following figures:

1873.....	350 miles.	1890.....	6,037 miles.
1880.....	670 "	1894.....	6,888 "
1883.....	2,304 "	1900.....	10,100 "
1888.....	4,100 "		

"Just at this moment I am not able to report the total amount of earnings of all of the Mexican railways, but I will mention the gross earnings of the Mexican Central railway, which is one of the most extensive systems. The figures are as follows:

1885.....	\$3,559,560.00	1898.....	\$13,588,066.00
1888.....	5,774,331.00	1899.....	15,602,000.00
1890.....	6,425,604.00	1900.....	17,223,878.00
1895.....	9,425,865.00		

REVENUE OF THE MEXICAN GOVERNMENT.

"The revenue of the Mexican government will also give you an idea of the growth of the country:

1881.....	\$30,466,093.00	1895.....	\$50,521,470.00
1883.....	37,621,065.00	1897.....	52,697,984.00
1887.....	40,962,045.00	1900.....	64,261,076.00

"The Mexican government is having a surplus every year of about \$6,000,000 over expenses.

REVENUE OF THE MEXICAN STATES.

1884.....	\$9,614,961.00	1895.....	\$17,131,917.00
1887.....	11,923,413.00	1900.....	20,000,000.00
1890.....	14,141,158.00		

REVENUE OF THE MUNICIPALITIES OF MEXICO.

1884.....	\$5,620,511.00	1895.....	\$12,399,238.00
1887.....	8,751,112.00	1900.....	14,000,000.00
1890.....	11,226,349.00		

CUSTOM HOUSE RECEIPTS.

1870.....	\$7,230,880.00	1890.....	\$22,454,154.00
1875.....	9,271,269.00	1895.....	22,345,694.00
1880.....	11,788,510.00	1900.....	24,000,000.00
1885.....	15,445,571.00		

EXPORTS.

1885.....	\$46,670,845.00	1895.....	\$90,854,053.00
1887.....	49,191,930.00	1898.....	138,476,126.00
1890.....	62,499,388.00	1900.....	150,056,360.00

TRADE BETWEEN MEXICO AND THE UNITED STATES.

EXPORTS TO THE UNITED STATES.

1877.....	\$12,340,989.00	1890.....	\$44,983,086.00
1880.....	14,158,191.00	1895.....	79,651,695.00
1885.....	25,449,595.00	1900.....	100,000,000.00

IMPORTS FROM THE UNITED STATES INTO MEXICO.

1872.....	\$5,231,255.00	1895.....	\$20,145,763.00
1893.....	14,351,785.00	1900.....	35,150,000.00

N. B.—These items of importation are in United States currency.

"It is proper to say that the business intercourse between the United States and Mexico is increasing very rapidly. The feeling in Mexico is very much in favor of developing international enterprises, and the American capital and energy is well received in the business community of Mexico.

Mining.

"The coinage of Mexico from the establishment of the mints in 1537 to the end of the fiscal year of 1900, is as follows:

Colonial epoch.....	1537 to 1821.....	\$2,151,581,960.00
Independence.....	1822 to 1873.....	809,055,251.00
Republic.....	1873 to 1896.....	644,346,066.00

Total.....\$3,605,583,277.00

"This figure represents about 80 per cent. of the full amount of the silver in circulation all over the world. The yield of the mines in Mexico fifteen years ago was \$40,000,000. The yield at present is about \$100,000,000.

POSTAL SERVICE.

"The following will give an idea of the growth of this important branch, which is so closely connected with the development of a country:

	Post-offices.	Postal Agencies.
1877.....	53	269
1888.....	356	719
1892.....	356	1,439
1895.....	469	1,471
1900.....	539	1,972

"The total number of pieces distributed by the mail in 1878 was 5,166,822, while in the year of 1896 the number increased to 24,000,000, and in 1900 the number was 134,631,009. During the colonial epoch the postage for every letter was from 25c. to 37c. with an extra charge of \$2 for a registered letter. At present the postage is 5c. over the American continent and 10c. to Europe.

"It would be rather tiresome if I should continue to give figures on every branch of business, but I wish to say that the same mark of progress is found everywhere, and very few countries, outside of the United States, are progressing at present as rapidly as Mexico is, taking everything into consideration and looking back to the condition of things in Mexico twenty years ago. One of the wise steps which has been taken lately by the Mexican government to give facilities to the mercantile community is the establishment of bonded warehouses, where merchandise can be deposited without paying the importation duties, until such time as the goods are taken out of the bonded warehouses.

"Besides, the bonded warehouse company is authorized to make loans to the merchants on the goods deposited in the bonded warehouses, and with these new

facilities it is to be expected that the volume of importation will be increased very materially, as with the same capital the merchants will be in a position to transact two or three times the volume of business which they could control heretofore.

"We have less failures in Mexico, in proportion to the volume of business, than perhaps in any other country. The people of Mexico are of a conservative disposition, and, although sometimes a little slow in paying their obligations, yet, as a rule, they pay everything, and the losses of the merchants and bankers are very light.

"If you take the history of the Banco Minero as an example, we have never lost any more than \$10,000 per annum for bad debts, which speaks well, inasmuch as our loans amount to over \$8,000,000.

"In Chihuahua in the last five years the total amount of failures is nine in number, and the amount not involved not over \$100,000 altogether.

"The reason why in Mexico goods have to be sold at four months' time and six months' time is because the connections are yet slow outside of the railroad lines, and with the country people it is the custom for them to pay their debts out of their crops. We harvest wheat in May and corn in December, and in this way the income of the farming people comes only twice a year.

"It is the custom of the small merchants in the country towns to sell at three or four months' time, and for this reason they have to buy on six months' time, so as to make the two ends meet.

"I wish to speak in the highest terms of the character of the people of Mexico, as a whole, regarding its credit, because there is a very deep feeling as to the principles of honorability, and so much so that whenever a man fails he can never again replace his credit, because a failure is considered as a disgrace to his name and to his honor.

"I have not spoken of the great number of schools which have been established in Mexico, because it was my intention to show the growth of wealth and of business; and not the intellectual progress of this country, which is also very remarkable."

STATEMENT BY LIC. JOAQUIN CASASUS, OF MEXICO CITY.

"Mexico, September 12, 1902.

"Mr. VOLNEY W. FOSTER, Chicago:

"I have just received your favor of the 5th inst., in which you ask me to write you a letter explaining the financial situation of the Mexican republic, as well as the development that in the last few years it has acquired in commerce, industry, banking institutions, and in one word, the resources that show the increasing prosperity of our national life.

"The purpose for which you request me to write that letter is to read it in the coming meeting of the Credit Men's Association, composed of the most important and distinguished business men of that prodigious commercial center that is called Chicago.

"With pleasure I hasten to comply with your desires, not only because it is always a pleasure for me to write to you, but also because we Mexicans ought never to lose an opportunity to inform our friends of the great American republic of the prosperous condition in which Mexico now finds herself, and the ample field for the investment of capital that is offered by our commerce, industries and institutions of credit.

"But few examples can be found among the countries of Latin America of so rapid and increasing a prosperity as that which Mexico has presented during the last few years.

"There is nothing that better shows the condition of a nation than a statement of the public revenues, because as all the citizens contribute to the public expenses in proportion to their own wealth, whenever these resources are increased there is a proportional increase in the national revenues. I therefore present some statistical data that I think will show the progress made:

YEARS.	Revenues.	Expenditures.
1894 to 1895.....	\$46,907,123.16	\$45,610,279.92
1895 " 1896.....	50,521,470.00	46,069,413.72
1896 " 1897.....	51,500,628.00	47,554,920.50
1897 " 1898.....	52,697,984.55	50,581,983.98
1898 " 1899.....	60,139,212.84	52,672,448.19
1899 " 1900.....	64,261,076.39	58,309,933.00
1900 " 1901.....	62,998,804.63	58,940,895.00

"The above table shows the increase that has taken place in the last seven years in the federal revenues amounting to \$16,000,000, equivalent to almost 40 per cent. The expenditures have also increased \$13,000,000, equal to 30 per cent.

"International trade has followed the same upward progress as the national revenues during the period from 1889-90 to 1898-99, as can be seen from the following table:

EXPORTS.			
YEARS.	Totals.	YEARS.	Totals.
1889 to 1890.....	\$61,774,054	1894 to 1895.....	\$90,841,531
1890 " 1891.....	63,236,658	1895 " 1896.....	105,223,417
1891 " 1892.....	75,353,864	1896 " 1897.....	111,322,874
1892 " 1893.....	87,495,772	1897 " 1898.....	128,763,697
1893 " 1894.....	79,306,572	1898 " 1899.....	138,504,789

"We therefore find that during this period of ten years the exports were more than doubled.

"Although the value of the imports has not amounted to the same figures as that of the exports, there has been an increase of about 80 per cent., as can be seen from the following table:

IMPORTS.			
YEARS.	Totals.	YEARS.	Totals.
1893.....	\$36,199,357	1897.....	\$39,205,627
1894.....	30,218,948	1898.....	45,509,225
1895.....	36,245,047	1899.....	56,189,634
1896.....	46,977,735		

"I must call your attention to the remarkable importance of our national trade with the United States, which absorbs almost our entire exports, and from which we buy more than 50 per cent. of our entire imports.

"During the last three years of 1897-98 to 1899-1900 our import and export trade with the United States has been as follows:

YEARS.	Imports.	Exports.
1897 to 1898.....	\$21,490,604	\$94,976,786
1898 " 1899.....	24,164,687	103,553,486
1899 " 1900.....	31,026,415	110,110,604

"But nothing can give a more correct idea of the business done in the republic than the amount of capital that has been dedicated to the establishment of banks of all kinds, and the increase in the bank note circulation and in the loans that figure in the assets of those banks.

"The increase in the paid-up capital of the banks has been as follows:

In 1896.....	\$23,010,000.00	In 1899.....	\$39,354,300.00
" 1897.....	24,970,000.00	" 1900.....	55,529,100.00
" 1898.....	29,295,000.00	" 1901.....	61,400,000.00

"The progress shown in the discount business with merchants and manufacturers is shown by the following comparison of the figures presented in the month of December of each of the years 1896, 1897, 1898, 1899, 1900, and June 30, 1901.

"The discounts and loans amounted to—

In 1896.....	\$47,335,000.00	In 1899.....	\$113,448,000.00
" 1897.....	65,712,000.00	" 1900.....	127,231,000.00
" 1898.....	79,449,000.00	" 1901.....	125,760,000.00

"The circulation of bank notes has every day increased more and more among the different classes of the community, although without losing any of its natural guarantee, but on the contrary, the total issue is now secured by a total cash balance of a much higher proportion.

"The circulation of bank notes amounted as follows:

In 1896	\$37,967,000.00	In 1899	\$63,197,000.00
" 1897	44,792,000.00	" 1900	64,012,000.00
" 1898	54,372,000.00	" 1901	63,505,000.00

"The bank note circulation was always in excess of the cash balances, the ratio of the excess being as follows:

In 1897	30 per cent.	In 1900	25 per cent.
" 1898	40 "	" 1901	12 "
" 1899	25 "		

"Mexico has, therefore, good reason to be perfectly satisfied with the progress made, as clearly shown by a comparison of the different balance sheets of its bank of issue.

"The situation of all the banks of the republic, as shown by the general balance of July 31, 1902, is as follows:

ASSETS.	
Unpaid capital.....	\$4,354,150.00
In coin	\$65,065,398.91
In notes	8,053,348.00
Cash on hand	73,118,746.91
Bills receivable	108,895,354.53
Loans on collateral	41,017,704.43
Mortgage loans	15,925,067.47
Negotiable paper	7,998,644.72
Current account debtor balances.....	72,102,137.69
Real estate	2,356,766.92
Total assets	\$325,768,512.67
LIABILITIES.	
Share capital	\$84,050,000.00
Bank note circulation.....	93,003,002.00
Sight deposits	16,266,765.95
Current account credit balances.....	116,077,408.66
Reserve funds	16,371,336.06
Total liabilities	\$325,768,512.67

"The progress of the banks is undoubtedly due to the beneficent action of the law of March 19, 1897, which has permitted the creation of banks of issue, mortgage banks, etc., and also to the good customs of our commercial classes, the regularity which they observe in their transactions, and the credit facilities that are granted by the banks. It is the invariable custom of the merchants of Mexico, and one that has been followed by all the banks, to grant credits on current accounts, or on six months' notes.

"The difference between the system followed in Mexico and those of Europe or the United States consists in the long credit given to traders, and this credit finds its support in the customs of the commercial classes, who sell to their customers with that credit. If the merchants in selling their goods grant that credit to their customers, it becomes absolutely necessary for the banks to place themselves in such a situation that they can also lend to the merchants on six months' time.

"In order to demonstrate the excellence of this system, and the good results that it has produced, I need only inform you that no bank has ever failed, and that the failures among the commercial houses of the republic never exceeded ten in the last years.

"The traders of Mexico have distinguished themselves for their unquestionable rectitude, which is based on their prudence, as well as the good judgment and discretion with which they carry out their transactions. The wild speculations that in the United States are produced by what is called 'inflation,' or business booms, are entirely unknown in Mexico.

"Mexico is a young country that has only recently made its appearance in commercial life, and in view of its exceptional conditions, its increasing prosperity, the solvency of its trade, the able administration of its banking interests and the unal-

terable peace that reigns throughout the entire extent of its territory, offers an ample field for the investment of American capital, and is certain to derive enormous profits here.

"With my thanks to you for bringing this letter before the Credit Men's Association, and begging that you will excuse the haste with which it is written, in view of the urgency of your request and the short time I have had at my disposal, I remain,

Yours very sincerely,

JOAQUIN D. CASASUS."

SOME NOTES FROM COMMERCIAL CODE OF MEXICO.

Married women, expressly authorized by their husbands in public writing, may engage in commerce, and may mortgage their real estate and other property.

Certain persons cannot engage in commerce; among them those who have been condemned for offense against property, including forgery, embezzling, bribery and conspiracy.

Foreign merchants and companies doing business in the republic are subject to the code.

Merchants are required to publish through the press the class of business, with its essential circumstances, etc.; to record in the public registry all documents concerning their business which the public is interested in; to keep strict and accurate accounts, and preserve correspondence for ten years which affects their business.

A mercantile register is kept in the principal town of the domicile of the merchant, in which is given the name of the merchant, either individually or the company or partnership; the class of business which he intends to do; the date of commencement; if it be a company, its constitution, etc.; if a corporation, the minutes of general meetings, the power, etc., of all agents and employees; if a minor, his declaration of age and emancipation; if a woman, her marital license, etc.; all public writing, deeds, etc., showing the ownership of a wife's property and affecting the separation of interests between married couples; documents showing what patrimony or property may be owned by any child or ward of the merchant; the issue of shares, bonds and obligations of either companies, corporations or individuals, together with the property of any kind affected by the issue. This register is public, and is open to inspection of any one who may demand literal proof of the whole record or any part of it.

Every merchant is obliged to keep at least three books—a book of inventories, day-book and ledger in the Spanish language. No alteration or erasure is permitted. Any error must be corrected by new entries. The book of inventory must contain an exact account of all assets in detail, and all debts and obligations of every kind. This must be done annually. The books must show accurately all money withdrawn from the cash box by the merchant for his private use. A penalty of not less than \$50, or exceeding \$300, is imposed for failure to keep books in the manner prescribed. These books must be produced at any time when called upon by the authorities, for the purpose of ascertaining if they are properly stamped, and are subject to examination and delivery at any time in case of legal proceedings.

The laws are especially strict with regard to the operations of brokers and factors, brokers being required to have a license as such, and give security for the proper discharge of any trusts.

Unlawful agreements give rise to no obligation, even when they involve commercial obligations. Mercantile contracts are perfected by correspondence, either telegraphic or by mail, and when once entered into in such manner are enforceable.

In case of the formation of companies or societies with special partners, full and detailed statements are required to be published, showing the exact amount of capital contributed, and whether in cash or otherwise. In case of partnership no limitation upon the liability of partners exists as against third parties.

The code of procedure for the enforcement of commercial contracts contains many strong features. The merchant's books on either side prove themselves. Neither the debtor nor any of his family or employees are permitted to testify. No judge in any way related to the parties, or who does business with them, or whose family are in any way indebted to them, or are guarantors for them, or who himself or his relations have a pending suit of similar character, is competent to assume jurisdiction of the case. In various ways the creditor is protected against trumped up testimony, or being brought necessarily before a court that has any interest, direct or remote, or any cause for being biased or prejudiced in the case.

Notwithstanding these remarkable evidences of prosperity in the republic of Mexico, I do not recommend foolish people to go there hoping to better their condition. Calamities will pursue them. I firmly believe that a fool carries with him the holes into which he falls. The government of Mexico, as now firmly organized, is very strong and very benevolent. Even to the amateur student of history there

"The circulation of bank notes has every day increased more and more among the different classes of the community, although without losing any of its natural guarantees, but on the contrary, the total issue is now secured by a total cash balance of a much higher proportion.

"The circulation of bank notes amounted as follows:

In 1896	\$37,967,000.00	In 1899	\$63,197,000.00
" 1897	44,792,000.00	" 1900	64,012,000.00
" 1898	54,372,000.00	" 1901	63,505,000.00

"The bank note circulation was always in excess of the cash balances, the ratio of the excess being as follows:

In 1897	30 per cent.	In 1900	25 per cent.
" 1898	40	" 1901	12
" 1899	25		

"Mexico has, therefore, good reason to be perfectly satisfied with the progress made, as clearly shown by a comparison of the different balance sheets of its bank of issue.

"The situation of all the banks of the republic, as shown by the general balance of July 31, 1902, is as follows:

ASSETS.	
Unpaid capital	\$4,354,150.00
In coin	\$65,065,308.91
In notes	8,053,348.00
Cash on hand	73,118,746.91
Bills receivable	108,895,354.53
Loans on collateral	41,017,704.43
Mortgage loans	15,925,067.47
Negotiable paper	7,998,644.72
Current account debtor balances	72,102,137.69
Real estate	2,356,706.92
Total assets	\$325,768,512.67
LIABILITIES.	
Share capital	\$24,050,000.00
Bank note circulation	93,003,002.00
Sight deposits	16,266,765.95
Current account credit balances	116,077,408.66
Reserve funds	16,371,335.06
Total liabilities	\$325,768,512.67

"The progress of the banks is undoubtedly due to the beneficent action of the law of March 19, 1897, which has permitted the creation of banks of issue, mortgage banks, etc., and also to the good customs of our commercial classes, the regularity which they observe in their transactions, and the credit facilities that are granted by the banks. It is the invariable custom of the merchants of Mexico, and one that has been followed by all the banks, to grant credits on current accounts, or on six months' notes.

"The difference between the system followed in Mexico and those of Europe or the United States consists in the long credit given to traders, and this credit finds its support in the customs of the commercial classes, who sell to their customers with that credit. If the merchants in selling their goods grant that credit to their customers, it becomes absolutely necessary for the banks to place themselves in such a situation that they can also lend to the merchants on six months' time.

"In order to demonstrate the excellence of this system, and the good results that it has produced, I need only inform you that no bank has ever failed, and that the failures among the commercial houses of the republic never exceeded ten in the last years.

"The traders of Mexico have distinguished themselves for their unquestionable rectitude, which is based on their prudence, as well as the good judgment and discretion with which they carry out their transactions. The wild speculations that in the United States are produced by what is called 'inflation,' or business booms, are entirely unknown in Mexico.

"Mexico is a young country that has only recently made its appearance in commercial life, and in view of its exceptional conditions, its increasing prosperity, the solvency of its trade, the able administration of its banking interests and the unal-

terable peace that reigns throughout the entire extent of its territory, offers an ample field for the investment of American capital, and is certain to derive enormous profits here.

"With my thanks to you for bringing this letter before the Credit Men's Association, and begging that you will excuse the haste with which it is written, in view of the urgency of your request and the short time I have had at my disposal, I remain,

Yours very sincerely,

JOAQUIN D. CASASUS."

SOME NOTES FROM COMMERCIAL CODE OF MEXICO.

Married women, expressly authorized by their husbands in public writing, may engage in commerce, and may mortgage their real estate and other property.

Certain persons cannot engage in commerce; among them those who have been condemned for offense against property, including forgery, embezzling, bribery and conspiracy.

Foreign merchants and companies doing business in the republic are subject to the code.

Merchants are required to publish through the press the class of business, with its essential circumstances, etc.; to record in the public registry all documents concerning their business which the public is interested in; to keep strict and accurate accounts, and preserve correspondence for ten years which affects their business.

A mercantile register is kept in the principal town of the domicile of the merchant, in which is given the name of the merchant, either individually or the company or partnership; the class of business which he intends to do; the date of commencement; if it be a company, its constitution, etc.; if a corporation, the minutes of general meetings, the power, etc., of all agents and employees; if a minor, his declaration of age and emancipation; if a woman, her marital license, etc.; all public writing, deeds, etc., showing the ownership of a wife's property and affecting the separation of interests between married couples; documents showing what patrimony or property may be owned by any child or ward of the merchant; the issue of shares, bonds and obligations of either companies, corporations or individuals, together with the property of any kind affected by the issue. This register is public, and is open to inspection of any one who may demand literal proof of the whole record or any part of it.

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is the greatest interest in the early civilization of that country and the changes that have come to it. It was much more thickly populated than our territory, and its Indians are of quite a different type. Its civilization was much advanced when the Spaniards found them. They knew the arts of weaving and of cultivation of the soil. They knew how to build well and to cut, polish and ornament the stones which they used in construction. The canal that dates from the time of Montezuma still remains, and at its head and in that vicinity are now 55,000 inhabitants not much touched by the changes that have come to the cities of Mexico. The Spaniards of the invasion were great men, and they were inspired by great motives. Montaigne, who was contemporary with Cortez, said that their invasion was a war to secure pearls and pepper. This may have been partly true, but it would not explain the devout energy and art that constructed great and beautiful cathedrals, leaving out nothing of their ornaments, and placing them where a simple people, somewhat stolid, would surely not appreciate them nor be influenced by them. Standing at the church of Coyacan and learning of the date of its construction, being among the earliest, if not the earliest, in Mexico, I was impressed by this thought. The Indian of Mexico differs from those of our country, in that he has a very considerable knowledge of harmony and of melody, and exercises it in every hamlet and village on some musical instrument. Their countenances are rather sad, but they are not vicious, and I do not believe, from my observations, that they are at all possessed with a spirit of envy. I believe that it will be profitable to you to study Mexico and the other republics of this hemisphere, and this you can do through the books already published and easily to be obtained in translations. The books to which I refer would be the commercial code, the banking, mining and agricultural laws and those on kindred subjects; also the monthly bulletin of the Bureau of American Republics, published in Washington. This Bureau is doing excellent work as the agent of all the republics of the hemisphere. It is ably managed under a complete civil service organization. From it you can obtain information on almost any commercial subject concerning any of the republics. The Mexican Herald is published daily in the City of Mexico, and I receive no paper from which I get more valuable information, and in which I find better literature than in this paper. Its editor is an American who I think is enjoying his labor. Mr. Guernsey is a versatile man, and I have read editorials of his that would not have appeared incongruous if found under the covers of Thomas Carlyle's books; and others again that vied in beauty of expression with that masterpiece of Johnson's "Rasselas." It publishes all current events and vital statistics of the republic. I recommend you to subscribe for it. I hope the time will shortly arrive when we shall know as much about Mexico as the Mexicans know about us, but to accomplish this we will have to make better progress than we have done in the past.

These comprehensive statements by Senor Creel and Lic. Casasus suggest that we consider for a moment the trade of the United States in the markets of the world. Begging your further indulgence, I will submit the following table of imports and exports for the past four years:

COMPARATIVE STATEMENT OF IMPORTS OF MERCHANDISE INTO AND EXPORTS FROM THE UNITED STATES DURING THE YEARS 1899, 1900, 1901 AND 1902.

EUROPE				
	1899.	1900.	1901.	1902.
	Dollars.	Dollars.	Dollars.	Dollars.
Imports.....	353,884,534	440,509,480	429,436,180	475,229,366
Exports.....	936,602,093	1,040,167,312	1,136,092,260	1,008,108,221
Excess in favor of the United States.....	582,717,559	599,657,832	706,656,080	532,878,855
NORTH AMERICA.				
	1899.	1900.	1901.	1902.
	Dollars.	Dollars.	Dollars.	Dollars.
Imports.....	112,150,911	129,939,875	145,161,044	151,103,714
Exports.....	157,931,707	187,299,318	196,570,118	203,853,304
Excess in favor of the United States.....	45,780,796	57,359,443	51,400,074	53,751,090

SOUTH AMERICA

Imports.....	86,587,893	93,635,134	110,329,667	119,785,319
Exports.....	35,659,902	38,945,721	44,770,888	38,074,292
Excess in favor of South America.....	50,927,991	54,689,413	65,558,779	81,711,027

ASIA

Imports.....	107,091,214	139,817,023	117,519,955	129,621,549
Exports.....	48,360,161	64,913,084	49,402,814	63,960,148
Excess in favor of Asia.....	58,731,053	74,903,939	68,117,141	65,661,401

OCEANICA

Imports.....	26,997,877	34,596,042	11,272,721	14,166,857
Exports.....	29,875,015	43,390,947	35,377,176	34,255,941
Excess in favor of the United States.....	2,877,138	8,794,885	24,104,455	20,089,084

AFRICA

Imports.....	10,436,060	11,217,156	8,953,454	13,421,236
Exports.....	18,594,424	19,469,109	25,542,301	33,466,995
Excess in favor of the United States.....	8,158,364	8,251,953	16,588,847	20,045,759

THE UNITED STATES IN THE WORLD'S TRADE—GRAND TOTAL

Imports.....	697,148,489	849,714,670	822,673,016	903,327,071
Exports.....	1,227,023,302	1,394,186,371	1,487,755,557	1,381,719,401
Excess in favor of the United States.....	529,874,813	544,471,701	665,082,541	478,392,330

Total balance of trade for the last four years in favor of the United States..... 2,217,821,385

While by the foregoing tables it will be seen that the balance of trade with the world aggregates largely in our favor, our imports from South American republics largely exceed our exports to those countries. We also buy more from Central America and Mexico than they buy from us.

Germany, with her splendid equipment of a department of commerce and efficient consular service, has long had the lion's share of trade with the Latin-American republics. However, our trade with those countries is increasing, and when Congress shall have created a Department of Commerce and re-organized our consular service on a strictly civil service basis, we shall lay strong hands on a commerce which has ever been our natural birthright.

I think that an excellent step has been taken by the National Business League, of this city, which has, through the diplomatic representatives of the Latin-American republics, secured the names of prominent merchants, manufacturers and men of affairs in the most prominent cities of the various republics, and has elected them, with their consent, as advisory members of this League. This will let them into court to make such arguments as they can touching proper international trade relations. The conference that was held in Mexico last winter gave excellent opportunity for the interchange of ideas between the representatives of all of the republics of

America, and it was pleasant to discover that there were no great differences in our aspirations or in our conceptions of the ethics of right living and honorable dealing. It is customary for European commercial houses dealing with Latin-America to extend longer credits than we are in the habit of giving, but the cost of such accommodation is in every case paid by the creditor, and sometimes the conveniences that he enjoys at the price obtained are a source of additional profit to the commercial house with which he deals. I firmly believe that the organization of the new Department of Commerce, which is certain to take place during the next session of the present Congress, will prove of very direct and extraordinary benefit to the merchants of our country. I believe if our government should accredit a genuine commercial agent to each considerable city of every commercial nation, it would be an act entirely consistent with the spirit of the age. After all, knowledge is the most valuable asset of humanity, and of a complete knowledge of other commercial nations we lack much. The duties of such commercial agent would be easily prescribed, and would all bear relation to the extension of our trade and the systematic accumulation of valuable knowledge concerning the neighborhood to which he was accredited. I can see in our future only reason for hope and great rejoicing. The statistics of our trade, entirely familiar to all, are a sufficient evidence on which to found this hope. The mixed blood of our people and the intellectual and moral atmosphere, together with our unbounded opportunities, offer this last best chance for the growth and development of every human excellence. The genius of invention and adaptation seems to have its home particularly here, and those of us who with some difficulty have learned to think of countries and states instead of the small circle of a neighborhood, stand aghast at the boldness of those who, in our commercial world, have learned to think of nations and of the whole world's needs. This is only a confirmation of the prophecy of the solidarity of society, and when the principle of co-operation which, in its present manifestation serves only a part of society, shall become universal, the psalmist may sing a new song and the sons of men will deserve to be called by a new name. In the startling procession of events now upon us and yet to come, there will be much that is incongruous and not harmonious, but the upper tone of these activities "speaks of hope and halcyon days to come." We have here at work a mighty force that may not now be stayed. We are realizing the harvest of the earlier years of our national life, of which the public school is so large a part, 15,000,000 children now being well taught in these academies. Grant this, and who can prophecy the glorious outcome? More than 200,000 per annum graduating from our higher educational institutions and places of technical instruction! What an army! And not less, and perhaps more of certain insurance to our future, are the many thousands of well taught, God-fearing, well disciplined young women who are receiving the advantages of our best educational institutions. What a galaxy of mothers that is to be! What a progeny will be theirs! And these benefits and advantages cannot accrue to this nation alone. I believe that it is true of nations as of individuals, that those who live to themselves alone do not deserve to live at all. But we need not consider this, as the very nature of our growth and development will compel consideration for all parts of the earth with which we must come in touch, urged by their necessities and our necessities to a common interest. Wonderful things have happened in the last few years. Our boundaries have been changed, our opportunities and equally our responsibilities have increased. Urged by as righteous indignation as ever moved a nation, we have become torch bearers to dark places, and the few evil incidents that have accrued in our administration of this trust have been made more odious by the other magnificent incidents and manifestations of patience and courage and wisdom and gracious helpfulness. I do not believe that at any time since the birth of the Man of Nazareth the spirit of His Gospel has been so much alive as it is to-day, and that nowhere are its manifestations more evident than in our own beautiful country. We are acting in obedience to the great law of the soul's gravitation and grasping hands are loosened of their burden as we raise them in reverent adoration to this great light. What an opportunity to direct nations to happiness and peace, "to steal from them," as has been said, aye, to steal away despair and to set hope, radiantly beautiful hope, in its place! To steal ignorance and give wisdom; to steal disease and kill its horrid germs; to steal all that makes for misery and to give all that makes for happiness. With what lightning speed have these changes come! riding upon this vehicle of civilization as we are, we cannot estimate its rapid progress. And among those who must be in the vanguard to meet these enlarged conditions are the gentlemen of your association, who have already systematized the method of extending credits, and rendered signal service to commerce in the improvement and amendment of our bankruptcy laws. It is sincerely to be hoped that the changes that you now seek in that law may be successful, as I firmly believe they ought to be. For our sure success we shall be indebted, not alone to our advantages, but quite as much to the limitations of those with whom we compete. As has been said by one of our great thinkers: "God has written anew the history of the world on this last

sheet of white paper." Class distinctions, hereditary rulers, involved and complicated laws, the enormous cost of respective governments, all act as a hindrance to the best results of the labors of other nations. Class distinctions have builded fences, inside of which the owner has rotted, and outside of which the people have suffered, for mankind's best faculties it owns that which it can see from unhindered windows. It seems to me almost a hopeless problem to those who would now essay to overtake us in this race. It may be that those philosophers are right who declare that there are no straight lines, but that every line has in it the arch of its own curvature. If this be true, we are certainly traveling in a large circle, so large that surely now it cannot be determined that it is not a straight line. I look for many changes in the forms and administration of the government of the Eastern Hemisphere. They are changing. The art of concession is and must continue to be the art of government, and to those who practice it most intelligently there will be the longest tenure of life. I think it augurs poorly for a nation that on special occasions turns its people into fields of picturesque foliage, and that, perhaps, through such weaknesses they are subjecting themselves to the perils of foliage.

Blessed be commerce. She is the greatest of missionaries. All her products the result of peace. Her messages are of good will and peace to all mankind. Her hieroglyphs need no translation. Torn and bleeding feet already know the law of shoes, and need but the opportunity to secure them. Commerce is to-day the best exponent of the Golden Rule. She is at war with every barrier to human freedom and human growth. She is a continuous, earnest advocate for the liberty of all mankind. She has wrought much. She has yet much to do. She has joined hands with those who have been the keepers of the ark of human liberties. She also has been a hearer and teller of the truth.

Review of the Bankruptcy Law.

ADDRESS DELIVERED BY CHARLES M. ROGERS, REFEREE IN BANKRUPTCY, BEFORE THE CREDIT MEN'S ASSOCIATION OF COLUMBUS, OHIO, OCTOBER 20, 1902.
Mr. President and Gentlemen of the Columbus Credit Men's Association:

I consider it a distinguished honor to have the privilege of addressing this representative body of business men. Knowing the relation which this association and its members sustain to the business world, it is at once apparent how vitally important the bankruptcy act and its effects are upon their business interests. Borrowing the language of Mark Anthony: "I have neither wit, nor words, nor worth; action nor utterance, nor the power of speech to stir men's blood." However, it may be possible to eliminate all these attributes and still be able in a plain, blunt way to talk to you upon the bankrupt act, its purposes, objects and effects as viewed from the standpoint of a referee.

Bankruptcy is a species of liquidation whereby the debtor surrenders his property to his creditors, in consideration for which he claims the right to obtain his discharge from his debts. The debtor's bankruptcy is effected by an adjudication of bankruptcy, or a declaration by the court that the debtor is bankrupt. This may result from proceedings voluntarily commenced by the debtor, or from proceedings commenced by the creditors against the debtor *involuntum*. However, after the adjudication, whether the proceedings be voluntary or involuntary, the subsequent conduct of the case is the same. After the adjudication or declaration of bankruptcy by the court is entered, the referee's duties begin. The cause is then regularly referred to him for further proceedings in the administration of the estate. The office of referee is in the main judicial; he is an arm of the bankruptcy court, and, after reference to him has authority to perform all the duties in bankruptcy which are conferred upon the Court of Bankruptcy, except the matter of compositions and discharges. Thus, by the appointment and qualification of the referee in each county for which he may be appointed, it is possible to bring the District Court of the United States as a Court of Bankruptcy into every county, and make it readily accessible to creditor and debtor. Usually, although not always a bankrupt's creditors are located in the vicinity of his residence; so that it makes it convenient for them as well as for the bankrupt to attend the bankruptcy court in their immediate vicinity. Besides, the referee appointed for the county will better understand the situation among the parties, by reason of his acquaintance, and is better able to protect the rights of both creditors and bankrupt than a stranger who might be unfamiliar with the circumstances surrounding the respective cases coming before him. Under the bankruptcy law of 1867, the register who then occupied a similar position, but with less jurisdiction, to the referee, had a territorial jurisdiction comprising an entire Congressional

district. Sometimes it was most inconvenient and difficult, by reason of the register sitting only at one place in the Congressional district, for litigants to attend to bankruptcy business; whereas, the present system is most admirable in its adoption of the plan of a bankruptcy court for every county.

Reviewing generally the referee's duties, they are to allow and disallow claims, to preside at all meetings of creditors, to determine all controversies among them and with the bankrupt, and in many cases to determine controversies between the trustee, the bankrupt and third persons, and in general to enter all orders in the administration of bankrupt estates. This authority of the referee does not include any proceedings against adverse claimants or strangers to the bankruptcy, without their consent. In other words, the jurisdiction of the referee is confined strictly, except by consent, to the parties in bankruptcy, namely, the bankrupt, creditors and the trustee.

The present bankrupt law is generally regarded as the most simple, convenient, economical and equitable bankrupt system that was ever enacted by Congress. It was made simple, as far as possible, so that the ordinary layman, the man not versed in legal technicalities, could readily understand the mode of operation under it. The simplicity of the law makes it economical both to the bankrupt and his creditors. There is no complicated machinery of law to be set in motion in order to effect the adjudication either in a voluntary or involuntary case. And after the adjudication the proceedings before the referee are especially easy of comprehension. Besides, the Supreme Court of the United States has prepared forms for the use of the creditors, the trustee, the referee and the bankrupt, so that each of these persons may, without any additional expense for attorney fees or legal advice, conduct many of the proceedings in bankruptcy. For example, a case is referred to the referee. He sends notices to the creditors of the first meeting to be held at his office. They may then appear and make proof of their claims, examine the bankrupt, elect a trustee, contest the validity of claims, and do many other things pertaining to the administration of the estate, merely by conforming to the rules and forms prescribed by the United States Supreme Court, and without the necessity of legal advice. Again, it is economical in that the officers appointed to administer the trust are paid very meagre compensation, so much so that it may be questioned whether the trust would not be better administered if they were better paid. It was the evident intention of Congress that the abuse growing out of the law of 1867, which resulted in the officers absorbing in many instances entire estates, should not be repeated under the present law. On the contrary, Congress aimed to preserve bankrupt estates so that the fund would not be depleted by extravagant charges, and would ultimately be distributed (barring the small compensation to officers administering the trust), to the bankrupt creditors. Three per cent. is the maximum allowed to the trustee without any extra compensation, and one per cent. is the amount allowed to the referee. This calculation is based, not upon the whole estate which may be administered in bankruptcy, but only upon that which is distributed by way of dividends to creditors. Whereas, in assignment and insolvency proceedings in state courts it is not infrequent that the court, assignee and his lawyers consume the major portion of the estate in fees, charges and disbursements. In many insolvency cases it would appear that these officers frequently connive together to see how little of insolvent estates may be distributed to general creditors, and how equitably they can divide the fund among themselves. Such is not the spirit of the bankrupt law as now enacted; but it aims at rigid economy in the administration of the estate, so as to give the largest possible amount to creditors.

Another advantage of the bankrupt law over state insolvency proceedings consists in the fact that the system is uniform throughout the United States. Whenever, therefore, a bankruptcy proceeding is launched, in which you are interested as a creditor, or otherwise, whether it be in the city of New York or in some far-off city of the West, you know what your rights are and what steps are necessary to be taken to protect them, if you understand the *modus operandi* of the act in your own community. Throughout this government the same law and the same mode of procedure are adopted to carry out every bankruptcy proceeding. The only matter in which there may be a difference in the various states arises in the exemption laws. As you doubtless are aware, the bankrupt law adopts the homestead and exemption laws of each state, and makes them applicable to protect the bankrupt's rights in his own state. But this difference does not affect the uniformity of the bankrupt law only to the extent of the property which may be exempt.

Further, that feature of the bankruptcy act which avoids certain lines by judgments, attachments and the like, within four months immediately preceding the bankruptcy, and while the bankrupt is insolvent, commends itself to public favor. The prevalent idea among business men, which has grown into an adage, that "the race is to the diligent and the battle to the strong," does not meet with approval in bankruptcy. For in the latter, equality is equity, and the bankrupt law is only satisfied by a just and equal distribution of all the funds of a bankrupt's estate among all his creditors alike. The notion of the "race of diligence" is swept aside and the

new doctrine of equal rights to the strong and weak alike supplants the old. The bankrupt law delights in equality and scorns at preference.

In this connection I may speak of the present statute in reference to preferences which requires a creditor, though innocently receiving a payment from his debtor while insolvent and within four months of his bankruptcy, to surrender such payment before he can prove for the residue of his debt. While in theory absolute equity would be worked out by the adoption of this plan of surrendering preferences, in practice it is difficult to accomplish the end desired. The creditor who has received a partial payment of his debt never knows whether such partial payment is subject to be surrendered or not, in order to obtain the residue of his debt. Every outstanding indebtedness, therefore, on which a payment has been made, is in a sense in jeopardy, so much so that the creditor is unable to calculate whether, if his debtor goes into bankruptcy, his claim, by reason of being obliged to surrender the partial payment in order to participate in the bankrupt funds, is of any value whatever. Nor can the creditor determine whether it is safe to surrender, as he may not be able on final distribution to obtain a dividend which is equal to the amount by him surrendered. If all creditors would surrender all payments during the insolvency of the debtor, then the plan of the present bankrupt act with reference to preferences would be equitable, because by that method a bankrupt's assets would become equal to his debts, and the creditors would practically receive dollar for dollar, barring, of course, the cost of administration. However, as the system now operates, it unsettles our credit system, and, in my opinion, the law should be amended so as to permit innocent preferential payments to remain undisturbed, and to make void only guilty preferential payments, or those which were received by the creditor who had reasonable cause to believe that the debtor had intended a preference. This is the aim in part of the Ray bill, which has already passed the House of Representatives, and, I am in hopes, will pass the Senate.

Again, the superiority of the bankrupt law is exhibited in the method of selecting trustees to administer estates. In assignments the assignee is usually the chosen friend of the assignor, and the estate which comes into such assignee's hands is frequently administered with a view to favor the assignor. The assignee, so long as he is dependent for his position upon the favor of the assignor, is in a measure under obligation to him, and inclined to reciprocate any favors in behalf of the assignor, rather than to fully protect the rights of creditors in the administration of his trust. In other words, the assignee has not the interest of creditors at stake, because he is not appointed by them, and is not under any obligation to them for his appointment. On the contrary, the bankrupt law deprives the bankrupt of all right to participate in the selection of a trustee. As said by Judge Brown, speaking upon the subject: "The beneficiaries are not the bankrupts, but the creditors. For that reason the law gives to them alone the choice of trustee; the bankrupt has no part in it, because, presumably, he has no interest in it." At the creditors' meeting they act without solicitation or influence by the bankrupt in selecting a trustee of their own choice. Upon an adjudication of bankruptcy being entered the property of the bankrupt becomes that of the creditors, and the selection of a trustee is merely to appoint some one to reduce to money *their own* property and divide the proceeds among themselves. And any interference on the part of the bankrupt to control a creditors' meeting in the selection of a trustee is unlawful, and will operate to annul the selection. This principal of law was illustrated in the bankruptcy of Reinhard & Co., where one of the bankrupts attempted to use his influence in the selection of a trustee. The referee refused to permit proxies to vote which were obtained through the influence of the bankrupt, although the proxies amounted to more in number and amount than all the other votes combined. His decision was sustained both by the District Court and the Court of Appeals on the theory that the bankrupt has no right to a vote in the choice of a trustee; that such officer is to represent the creditors, and must often act in opposition to the bankrupt, and, therefore, interference by the bankrupt in his selection will invalidate the appointment. While in the Reinhard case a most excellent gentleman, whose reputation for honesty and uprightness was above reproach, was favored by the bankrupt for trustee, yet the excellence of his character and reputation was not taken into account in determining his right to the office under the circumstances; but it was the attempted influence of the bankrupt which was the cause resulting in this gentleman's ineligibility. Thus it will be observed that the choice of trustee in bankruptcy is left entirely in the hands of the creditors whose property is to be administered, and relieves the trustee of the embarrassment resulting from any apparent obligation for his appointment to the debtor, as is most frequently the case in assignment and insolvency proceedings.

Another advantage of the bankrupt law which commends itself to our consideration is the swiftness of its methods. The remedies in bankruptcy are in the main summary, and for this reason surpass all other known methods of liquidating insolvent estates. As soon as there is sufficient money in the hands of the trustee to declare a dividend of 5 per cent. to creditors, it is the duty of the referee to make such

declaration, and this must be done within thirty days from the adjudication, if possible. And thereafter, as soon as there is sufficient to pay to per cent. the referee must declare a like dividend. So it will be observed that the fund is not permitted to remain in the hands of the trustee, but is distributed as rapidly as practicable to creditors. Incidentally I may mention the importance of having all proofs of claims in the hands of the referee early in the proceedings, so that all creditors may participate in the first dividend. Besides, the methods of reducing the property of bankrupt estates to money are swift. While notices of almost every step taken in bankruptcy are required to be given creditors, it will be seen by examination of the bankrupt act that it is intended that the property shall be reduced to money without any delays whatever, and the ordinary dilatory tactics adopted in receivership and assignment proceedings are not tolerated. The trustee is held to strict account in the performance of his duties; in making report of his transactions, in accounting for expenses, in the disbursement of money by him, in the furnishing of information to the referee and to creditors, and in the doing of many other things which require exactness and promptitude. Frequently bankrupt estates involving large amounts are practically all distributed to creditors in the course of six months after the adjudication. In my own experience this is true of several large estates administered under my authority. The purpose of the act seems to be to have the fund reach creditors as soon as possible after the adjudication, and not permit the officers in the administration of the trust to delay and lag behind in the performance of their duties. Quick returns to creditors seem to be the watchword.

The subject of the advantages of bankruptcy proceedings would not be complete without mentioning the superiority of the bankrupt law over all other insolvent proceedings, in that it furnishes to the honest bankrupt a discharge from his obligations. A bankrupt law without the feature of discharges incorporated into it would be indeed lame and incomplete, and like the hunchback King Richard III would be "curtailed of fair proportion, cheated of feature, deformed, unfinished and scarce half made up." It is possible that not all men in the business world see any advantage to them of the debtor's discharge. However, I am of opinion that the discharge is an advantage, not alone to the debtor, but to the creditor as well. As a member of society the creditor reaps an advantage by the prosperity and unlifting of humanity around him. He may be obliged to sacrifice something to aid in such uplifting, but the little which he sacrifices is repaid him ten-fold in the advantage which results to the honest debtor by his disenfranchisement from debt. For he is thus enabled to accumulate for himself property, and thus build for himself, his family, and those surrounding him a business which is an element tending financially to improve the community. Besides, there is no advantage to the creditor to hold over an insolvent debtor an obligation, and by reason of the very obligation being enforceable, prevent the debtor from accumulating anything with which to pay the debt. The outstanding obligation is in the way of the debtor accumulating any means with which to pay. On the other hand, the cases are rare where a creditor is ever repaid any portion of his debt after the insolvency of his debtor and the application of all his property in liquidation of his debts. The creditors, by thus holding an enforceable obligation over the unfortunate debtor, may injure society and reap no benefit himself. So, as it appears to me, the wise and just course when the honest debtor has failed, and surrendered to his creditors all his effects, is to relieve him from any future obligations to his creditors, so that he may again be placed upon his feet to accumulate wealth, and thus become a useful member of society. Of course, discharges should be granted only to the honest debtor, and safeguards should be thrown around the bankrupt law as far as possible so as to prevent the dishonest debtor from partaking of its benefits. Congress cannot make men honest by legislation. All Congress can do is to enact a law for the benefit of the honest but unfortunate debtor, and then, without impairing its usefulness in the interest of the honest debtor, place such safeguards about the law as will preclude the dishonest debtor from the advantages of the statute.

Moreover, the bankrupt law is not without its infirmities. In any new system of legislation perfection cannot be reached in the scheme at the first instance. And this is especially true of the bankrupt law. Complaints against the operation of the bankrupt law come principally from two sources, namely, creditors and lawyers. The lawyer seems to have two grounds of complaint, or, rather, two reasons for disliking the bankrupt law. In the first place certain lawyers make complaints against the law because they are unfamiliar with its workings. They say it is something different from the usual routine of liquidation proceedings, and they are not familiar with the system. This complaint in the main is the result of a disinclination on the part of lawyers to acquaint themselves with bankruptcy proceedings. Some lawyers will not study any new systems of legislation that may be put in force, so as to understand their operation and effect. They prefer to follow along in the old rut and not make any advances in legal lore. Other lawyers complain because the compensation which they receive out of bankrupt estates is not, as they claim, adequate to the ser-

vices by them rendered, and because much of the work in bankruptcy can be done without legal assistance. It is true that the fees allowed lawyers who practice in bankruptcy are by analogy governed, so far as the amount of fees paid them out of the bankrupt estates is concerned, by the compensation allowed by the law to referee, clerk and trustee. The compensation to these officers having been made very meager by enactment of Congress, courts of bankruptcy by analogy allow out of bankrupt estates to attorneys, who are also officers of the court, small fees, as compared with those usually received in like cases. It having been the intention of Congress when the bankrupt law was enacted to avoid the abuses practiced under the act of 1867, courts under the present system are attempting to enforce the law according to its spirit by practicing rigid economy in the expenses incident to the conduct of bankruptcy proceedings. Lawyers, therefore, who are officers of the court, as much so as the referee, trustee or clerk, must learn to bear with small compensation for their services rendered in bankruptcy proceedings. Courts will not permit them, vulture-like, as under the act of 1867, to take every thing in sight out of the bankrupt fund; but they are required to accept very moderate fees when practicing in bankruptcy.

The objection to the law by creditors are, as a rule, based upon more firm foundation. The defects in the law principally relate to the matter of discharges, in addition to the preference feature, of which I have heretofore spoken. However, there are some lame features in the present act, in so far as they relate to involuntary proceedings to which I will refer. Under the present act there are but four acts of bankruptcy, whereby creditors, if any of those acts are committed by the debtor, may force such debtor into bankruptcy. It has been found that additional acts of bankruptcy should be added, so as to better protect the rights of creditors. And here I may mention some of the salient points to be covered by the proposed Ray bill which has already passed the House. It is proposed by this bill to make a voluntary accounting of an insolvent partnership by one of its partners, and an application for a receivership of an insolvent corporation, each acts of bankruptcy. It is not uncommon for hopelessly insolvent partnerships and corporations to have friendly receivership proceedings commenced in our courts so as to remove their property from interference by creditors, and still have virtual control, through the courts, of such property. For example, a partnership or a corporation is thrown into the hands of a receiver, who, by the consent of all parties, is selected as a clerk or close friend of the partnership or corporation, and the insolvent concern practically remains in the control of its own property, although ostensibly it is within the control of the court under a receivership. The abuse of receivership proceedings in this line is sought to be avoided by making these accounting and receivership proceedings acts of bankruptcy, so that where creditors who have heretofore been remediless to have their debts satisfied in receivership proceedings can force all such concerns into bankruptcy.

The further complaint of creditors, as has already been stated, arises from the fact that discharges are too readily granted under the present act. The law should be so framed as to prevent injustice and improper and indiscriminate discharges, and especially to prevent the professional and dishonest bankrupt from availing himself of its benefits. Under the present act there are but two grounds of opposition to the discharge of the debtor. One ground is that the bankrupt has committed one of the offences punishable by imprisonment by the bankrupt act; and the other ground is that he has failed to keep books of account with intent to conceal his true financial condition. It is proposed by the Ray bill to add four more grounds of objection to the bankrupt's discharge, and the amendment in this regard is wholesome in the extreme. The first ground for refusing a discharge as contemplated by the amendment consists in obtaining property on credit on materially false statements. It is not uncommon for the shrewdest of credit men to be deceived by false statements of persons desiring credit in regard to their financial standing. The amendment proposes to remedy in part, at least, the wrong, by refusing such debtors discharges. The amendment further provides that the making of a fraudulent transfer of property shall be a ground for refusing a discharge. Fraudulent transfers frequently antedate bankruptcy proceedings, and are most difficult in many cases of successful attack by the trustee. It is proposed by the Ray bill to refuse a discharge for such wrongful conduct on the part of the debtor. The next amendment proposed is to refuse a bankrupt a discharge who has been in bankruptcy within the last six years. This provision is to cut off the right of the professional bankrupt to apply and receive any benefits from the act. This may in a measure prevent the unfortunate plunger in business and check the extravagant but ill-fated speculator, who otherwise might be relieved in bankruptcy under the present act. The fourth ground of refusal proposed by the amendment is that the bankrupt had refused to obey the lawful orders of the court or to answer material questions approved by the court. There are other amendments proposed by the Ray bill which in my judgment will add to the efficiency of the bankrupt law, but of which I have not time to speak, unless inquiry be made thereabout.

This hasty and disconnected review of the bankrupt law setting forth some of its advantages and disadvantages may have missed the mark which you intended to be brought out. A referee would naturally look at the bankrupt law differently from a business man, and the impressions thus gained would vary from those gained by business men looking at the law from other standpoints. But looking at the law as a whole, summing up its superior qualities and its lame features, with such amendments as it appears now can be made to the present law without difficulty, as viewed from the standpoint of a referee, it appears to be more nearly equitable than any prior law upon the subject ever enacted by Congress. While heretofore, bankrupt laws have been bitterly opposed by business men, so much so that ultimately they have been repealed, it may be that the present system will so satisfy the business world that it will become a permanent law. Indeed, such a system should be made permanent, as it appears to me, and this can be done by eliminating the objectional features from the law and adding thereto such provisions as will make it more in accord with a just and equitable rule of civil conduct in bankruptcy.

NEWS OF THE LOCAL ASSOCIATIONS.

The Credit Men's Association of Baltimore.

At the October meeting of this Association held the evening of the 23d the subject of Credit Insurance was very fully discussed, and it was decided that a Committee of the National Association, appointed to investigate this question should be urged, to insist that all companies writing this class of insurance maintain a uniform policy, such as is used by the Fire Insurance Companies; and also a form of which the committee would approve.

President Tregoe of the National Association then spoke of the necessity of active work upon the Ray Bill, pending before the United States Senate.

The subject of an interchange bureau of credit information was discussed, and Mr. S. H. Lauchheimer, counsel for the Baltimore branch of the Clothiers' Association, explained the operations of that body, commending them very highly. It was decided not to make any specific recommendations in regard to this matter at the

Boston Credit Men's Association.

The first meeting of the Directors of the Boston Credit Men's Association after the summer vacation was held on the evening of October 21st, at Young's Hotel, President John R. Ainsley presiding.

The principal matters under discussion were the Bankruptcy Bill and the efforts to interest the New England Senators in this measure in accordance with the suggestions contained in letters addressed to the local branches, from the office of the National Secretary.

The Boston Association has been very active in any measures which were within its power to further the interests of the Ray Bill, and will continue its efforts in that direction.

At the last session of the Massachusetts Legislature, the Association endeavored to secure the passage of a Bulk Bill. The measure failed at the time, but the energies of the local Association will be again utilized on this subject, when the next session of the legislature is held.

Secretary Chas. L. Bird submitted to the Directors a large number of inquiries from Associations in other parts of the country in relation to the Bulk Bill question, indicating a very general interest in this subject.

The Chicago Credit Men's Association.

The regular monthly meeting of this Association was held at the Auditorium Hotel on Wednesday evening, October 22, 1902. There was an attendance of one hundred and twenty-five members; President Smith presiding.

Addresses were made by Mr. David R. Forgan on "Investments," and Roy O. West on the subject, "Who pays the Taxes?"

The Association's subject for discussion for the month of October, viz.:

"The advisability of organizing an interchange system of trade information, and the promotion of a corporation under the absolute control of the National Association of Credit Men, with sufficient capital to carry out the most approved theory of trade information," was fully considered; Mr. F. H. McAdow, of the Staver Carriage Company, spoke in the affirmative, and Mr. Geo. H. Hovey, of Gage Brothers & Company, in the negative; both addresses being given herewith.

Address by F. H. McAdow:

At the Louisville Convention the proposition made by the Credit Clearing House was laid upon the table by a practically unanimous vote. That company was unfortunate in attempting to lay out in advance the plan to be adopted, as in doing so they got connected with it the thought of an affiliation between themselves and our association. This was necessarily fatal to their undertaking.

Yet there was an undercurrent of sentiment in the convention which was favorable to the plan of interchange of trade information, and this element was not willing that such a system should stand condemned through the action of the convention in tabling the Credit Clearing House plan. This sentiment found expression in the following resolution, reported by the Committee on Resolutions and adopted unanimously:

"Whereas, the proposition of the Credit Clearing House has been declined by this convention, and

"Whereas, trade information by way of exchange of credit experience is not only growing in favor, but becoming absolutely necessary, therefore be it

"Resolved, that the Board of Directors of the National Association of Credit Men be instructed to canvass the advisability of organizing an interchange system of trade information and canvass further the possibility of promoting a corporation under the absolute control of the National Association of Credit Men with sufficient capital to carry out the most approved theory of trade information, and pending such report; be it

"Resolved, that the National Association of Credit Men recommend to its members in all trades the formation of trade associations for the improvement of general conditions and the interchange of credits between members, along the lines of the National Association of Clothiers."

As to the real value of trade information, or the interchange of trade experience there can be no question. It is a fixed custom in all lines of trade. Our National Association has all along tried to promote this plan of securing information, and in nine of the local associations Reciprocal Reporting Bureaus are now said to be in operation for their respective territories.

The main questions at issue, or brought before us by this resolution, are:

1st. Shall the National Association undertake a work of this character, and thus perhaps assume functions that lie outside of its original purpose, or possibly attempt a greater work than it can carry to successful operation?

2d. If it shall undertake it, how can it be properly and successfully financed?

As to the first proposition, no organization can succeed unless it goes forward constantly to greater achievements with the word *progress* inscribed on its banner, and the thought of *progress* inspiring all its undertakings. To stand still, or retrograde is to succumb. Many of us perhaps noticed an item in a trade paper during the present year, asserting that the Credit Men's Association had reached the end of its rope. It had threshed over all its educational straw once or oftener and had nothing more to talk about. It had spent its force as a movement and its mission was ended. Therefore, exit National Credit Men's Association. That was the gist of the article. If that paper had stated the case *fairly* there would be considerable force in its argument. But, while we are not letting up on educational purposes, nor flagging in our efforts to lift higher the standard of credit, we are also doing more than that in securing legislation, improving Commercial Agency service and in other ways we are enlarging the scope of our effort and demonstrating that our work has only begun. In the language of the poet:

"No pent up Utica contracts our powers."

And there does not seem to be any limitation to usefulness in our charter.

We desire more than anything else to increase our membership. What greater inducement can we offer to a firm to join us than to furnish the means of fresh and reliable trade reports at a minimum of cost? This will be an inducement at once tangible and practical.

In the October number of the "Mercantile Adjuster" is a thoughtful and well considered editorial entitled, "Special Work of the National Association of Credit Men," from which I quote the following, because it bears directly on this question:

"A new organization must, to be successful, do one of two things; it must either do better work along well-defined lines, and in a field previously occupied, than has been done by any other similar body; or, if it be *sui generis*, it must vindicate its own right to existence by accomplishing that which can be done in no other way.

The Credit Men's Association was at the time of its inception a new departure; there was no organization like it either in the past, or the then present; it stands alone to-day. It follows then, that its work should be along the lines of the new organization; that it should not attempt to do that which has been done by others, but that its efforts should be directed toward accomplishing that which can be effected through no other agency.

At the recent convention at Louisville there was an eminently practical suggestion along these lines. We have reference to the proposed plan for the interchange of information among members. It is with this and with similar plans that the new administration should busy itself. Properly worked out this and kindred advantages will offer so great an inducement to become a member of the Credit Men's Association that it will before many years be as much a matter of course that a large business house should be represented therein as that it should have a telephone. The question of increasing the membership will then very nearly take care of itself, instead of being a matter of anxious thought and untiring effort."

As to the financing of such an undertaking, I do not believe this would be a serious problem. There would be no difficulty in obtaining special capital if it were thought best to give it a distinct organization, but it could probably be handled more successfully as a department of association work, each member contributing a *pro rata* membership fee annually to carry on the work. Under this method we would be doing our own legitimate work, and the plan could not be looked upon as an attempt to invade the field of the regular Commercial Agencies.

We were shown at Louisville the equipment of the Local Association of that city which constitutes their reporting bureau. In a small compartment measuring about 7 feet by 9 feet in one corner of their office was a cabinet, containing a self-indexing card system, comprising names of all customers sold by the Louisville trade. Without going into details here, the system appealed to all who investigated it as simple, comprehensive and economical. Perhaps the handsome and intelligent young lady in charge had something to do with its attractiveness, but in less than ten minutes she explained the working of the system in a way that made it appeal to our delegation, at least, as entirely satisfactory, and as I remember it, this lady gave only a part of her time each day to keeping up the work connected with the plan. We have only to establish a chain of these bureaus, covering all the trade centers in which we now have local associations, and in other cities where additional associations may be established. Let these bureaus interchange information with each other so that the same firm is reported to every city in which he buys goods, and the purpose is accomplished.

With such a system of bureaus established we would have as complete a chain of local offices as would either Dun or Bradstreet, and when these agencies desired information on a purchasing firm, they could send their representatives right to our local bureau, getting all the information in one bunch right from that trade center, instead of canvassing the individual houses of that city for facts concerning the buyer they were investigating.

This would be a step also in the direction of improving Commercial Agency service, and, would be carrying out one of the main objects of our association, viz., making the present Commercial Agencies more effective in their work.

It might be mentioned here that in the Louisville Bureau each subscribing member is given a number, which is known only to the Secretary. So that no one else can know from what the creditor's house the information comes.

The work can be put in charge of the local Secretary, and with one assistant at a moderate salary it can be kept up. The additional membership fee made necessary for carrying on the work would be very small, even though an assistant to the National Secretary might be required to look after the work in a general way, and only members who desired the Bureau privileges need pay the additional fee. If this plan were not thought best the cost under any other method could not be large, because we, the credit men, furnish the information which would constitute the "raw material" of the undertaking; and we are doing that now, but in a *random* way on individual inquiries, which makes no record of it for the general use of our membership. This plan would only be carrying out to its ultimate and logical conclusion what we now do every day.

The purpose of this discussion, as I understand it, is to consider the *advisability* of taking up such a plan. Let us not decide it hastily, or, without going into its merits fully, reject it on some one-sided view, or because we do not approve of some particular feature. Our motto ought rather to be: "Prove all things and hold fast to that which is good." There is another saying also that may apply here, viz.: "Anything that is worth doing is worth doing well."

Address by GEO. H. HOVEY, of GAGE BROS. & CO.,

Delivered before the Chicago Credit Men's Association on Wednesday evening, October 22, 1902.

Opposing Organization of System for Interchange of Trade Information.

This is certainly one of the most important topics we have ever had before us for discussion.

I do not expect to cover the ground very fully, but to suggest some objections to the plan as I see it. A full and free discussion will bring out other points *pro* and *con*, and that is what we want. We are all careful, conservative credit men, and whatever we do will be the right thing.

I.

The National Association of Credit Men was organized June 25, 1896, at Toledo, Ohio. It was incorporated in the City of New York on December 13, 1897.

2.

Lest we forget—that we may have our bearings properly—let me state to you our platform:

The objects of the Association are stated in the Constitution to be as follows:

The organization of individual Credit Men, and of Associations of Credit Men, throughout the United States in one central body. To render more uniform and establish more firmly the basis upon which credits in every branch of commercial enterprise may be founded; to reform laws unfavorable to honest debtors and creditors; to enact laws beneficial to commerce throughout the several states; to improve existing methods of diffusing information and for the gathering and dissemination of data in relation to the subjects of credit; to amend business customs; to provide a fund for the protection of members against injustice and fraud.

3.

Creditors, credit men and credit conditions have been directly benefited by the Association's work. The creditors' business is safer; the credit man stands higher in public opinion, and credit conditions generally are safe-guarded by law and sentiment as never before. We are and have been on a higher plane of thought and accomplishment since the formation of our Association.

In applying for the certificate of incorporation it is also stated that its object is to "promote a more enlarged and friendly intercourse between business men." Thus far we have moved along steadily and strongly in the line of building up our organization in perfect harmony with mutually happy results.

4.

All the reforms we have advocated as an Association have been assuredly in the line of making credit giving safer. In a most remarkable way, in my judgment, we have prospered as an Association in adding each year liberally to our membership. Socially, no less than in a material way, have we felt the influence and up-lift of the Association thought and endeavor.

Yet we are not satisfied.

Some of the members of our association feel that a reporting agency, owned and controlled by the association, for the exchange of information in the way contemplated by the question under consideration, would be an *advance* movement, an excellent thing in every way and in line with reform "in the gathering and dissemination of data in relation to the subject of credits." Further, that it would not only be a plan of such practical use that members would seek to enroll themselves as subscribers, but that it would furnish a practical reason for members to join. In short, that the tangible results of a membership in our association would thus appear to be so advantageous that all credit men would seek to be one of us.

In reply to the pointed question of a non-member as to what special advantage a membership in our association would carry, they say, if we had some plan of agency service the advantage would be apparent; that it would be the easier to interest them, and thus we could gain in membership and consequently in strength and influence.

6.

I can see no other reason for acting on this subject in the affirmative unless it is felt by the majority that a peculiar business advantage would thus be gained, an advantage not possible outside the membership fraternity.

Now, I am not one of those that believe this association, either locally or as a national body, should in any way, either directly or indirectly, foster any plan that takes on the semblance of mercantile agency service.

7.

It is not a necessity.

Our association, in my judgment, would not be benefited as a whole, nor the individual members thereof separately, nor such membership made more attractive, by such agency service as is here contemplated. In kindred lines of business such exchanges already exist to a limited extent, and so far as I know are doing satisfac-

tory service. With a few exceptions credit information, consisting simply of statistics, would not be widened in its scope even though a member had the range, we say, of one hundred or a thousand lines of business instead of the lesser number carrying on a business having distinct relations with his own by reason of the similarity of the merchandise in which they deal.

According to a membership list issued as long ago as 1899, some seven hundred different lines of trade are classified as belonging to the association. This very diversity of trade and the limited number of houses really interested in a customer's purchases would render of no practical use a wider field for information than the range of his own particular branch of business, or lines kindred thereto.

8.

Assuming entirely satisfactory service there is no assurance even if we did organize as suggested, that the service would be generally utilized. So far as I know or am advised only a comparatively few lines of business support such an agency at present. Therefore, it would appear that there is no actual need for such machinery as is here contemplated.

The large dry goods houses, the large hardware houses, and, in fact, most of the lines of business represented by membership in this association, have not called upon us for any such method of securing information. To make the interchange valuable and fulfill its mission all must be members. There should be no missing links. That we could reach such a possibility is entirely outside of range of any reasonable probability. It would, therefore, not be effective, for the whole range of credit information on the interchange plan must be enlisted, or we could not have thoroughly efficient service.

9.

A serious objection also to such an agency service is that as a matter of fact its benefits would be necessarily confined. By which I mean to say, that they could not be made available to all. There are very many lines of business represented by membership in our association that, while they do a credit business, it is quite limited. They would have no occasion to have the name of the proposed customer run the gauntlet of the association lines before goods would be shipped.

Again, very many of our members represent a business that is of a personal nature, so to speak, in regard to credit. That is to say, they deal direct with the consumer; they sell the article to the man or woman who uses the article sold, who does not buy to sell again. No agency service, as outlined, would be of sufficient utility or specially available to reach credit of this nature.

If to the list of our members who do not desire this service we add those who would not find it available, it will score heavily against the success of such an agency.

10.

From a financial standpoint would it pay? Would it pay financially and would it pre-eminently pay in especially superior service as an information bureau, even though our officers and members were the promoters?

At the best it would be an experiment, and as the demand is not urgent nor the reward sure, reasonable conservatism would suggest that we do not venture. I am told that some of the agencies now being run on the interchange plan are not making any money. Could we be more fortunate? It is a very serious matter to make any financial undertaking a success unless the brains and money of the few rather than the many control the policy and the management. Any friction or failure within the association lines would be a serious blight on our record.

11.

Our strength in the past and to-day lies in the fact that we move as a unit to accomplish certain results. Our work is the concentrated thought of many minds acting as one through the various local associations and their officers, or the general plan of a national association. Unitedly we carry forward objects stated in the articles of incorporation to which we have referred. No pecuniary nor personal ends are sought, but the general good of all. It is share and share alike. Our thoughts and our work are onward and upward. Sentiment and action alike are for mutual helpfulness. We are seeking to reform and improve business methods as a whole without engendering any jealousy or dissatisfaction among ourselves. This certainly most desirable condition may not result if we should attempt to go into business; to render any plan of mercantile agency service on a paid basis.

12.

We should not inaugurate any measures that do not conserve the interests of all alike. There should be no suggestion of classes—that one set of members could utilize a provision of our order that would not be equally desired and equally advantageous to all.

22

This is not a new thought.

When the annual convention was held in Buffalo many members there present were afraid that our association in some way would undertake to endorse or affiliate itself with the mutual agency which was then being organized. I well remember the enthusiasm with which the convention met the statement made by Mr. Cannon, the President, when he said that our association would under no circumstances endorse the new agency.

Later on during the present year the matter has come before us in the shape of our practically entering into partnership with an established interchange reporting agency, but the weight of opinion, as I understand, was decidedly against it.

We now have before us the question of becoming a mercantile agency with paid officials and all the appurtenances of agency service, by and under the direct supervision of the association itself. It would be manifestly unwise, in my opinion, to enter the field in competition with established systems, as through such mediums we are already receiving all the service we could possibly obtain by individual or organized effort within the association, and without any risk financially or morally in their success or management.

13.

If we subscribe to any agency and the service is not satisfactory we simply drop it. No one else is affected.

The chances are if we were members of an agency within association lines, and were dissatisfied we would drop the agency service, and the association also, at the same time.

In every organized body the majority rules. The effect of that rule is for the benefit or disadvantage of all alike.

With a business venture where independent and individual membership was the chief factor, the majority could not rule, while the minority by criticism and by non-support could easily ruin.

The strength of any chain is the strength of its weakest link. Should we adopt this plan of agency service, I very much fear it would prove the one weak link in our chain of high endeavor and good fellowship.

Besides, while the aims and objects of our association are broad, I very much doubt whether such a service as is here proposed would not go beyond a reasonably conservative view of what we should logically undertake.

It will be generally conceded, I think, that if we make this a leading feature to attract membership, we must continue to make it a leading feature of association work to hold such membership. It would, I fear, dominate our thought and action.

To summarize the matter, therefore, I contend briefly:

1st. That there is no general demand among the members of our association for the organization of this interchange agency system as one of its objects.

2d. That on its merits even if there were such a demand it is a matter of very serious doubt if it would be expedient, or if it would pay. It is a business venture and should be promoted only by the individual independent of any special connection with or sanction of our association as a whole.

3d. That even if it were expedient and would pay the benefits would be confined and not general to the entire membership. Hence an enlarged membership would not necessarily follow, while to many it would be a positive objection as regards joining.

4th. We seek to derive the largest individual benefits from our membership. We should not, however, dwarf the higher aims and objects of improving credit information and credit conditions generally for the mutual benefit of all. We need this in every branch of commercial enterprise, and to give it full force and effect we should not ourselves become an active competitor in the more limited sphere of active mercantile agency service.

At the conclusion of the debate, the following resolution was adopted:

"Resolved, that the Chicago Credit Men's Association is not in favor of the organization of an interchange system of trade information; also that while our Association is not in favor of such an organization, it is in favor of the National Board of Directors reconsidering the proposition submitted by the Credit Clearing House to the Louisville Convention."

The Denver Credit Men's Association.

The annual meeting of this Association was held on October 14th. The election of officers for the ensuing year resulted as follows:

President, John T. Plummer; Vice-President, Louis F. Spratlen; Treasurer, C. F. Freeland; Secretary, W. C. Ish. Directors, A. C. Foster, Frederick W. Standart and Ralph Gillett.

It was resolved that the Association make another effort to secure the passage,

by the Colorado legislature, of a measure for the regulation of the sale of stocks of goods in bulk.

The retiring President, Mr. Alexis C. Foster, addressed the meeting as follows:

To the Members of the Denver Credit Men's Association:

In the parlance of the Directors of this Association, the term just brought to a close has been an "off year" so far as any outward demonstration, or unusual interest was concerned. We did not have any legislative matter to arouse us, and the tenor of our ways has been so even, and the poise of the Association so perfect, that we have gone on prospering, and growing serenely, but with sure and steady strides.

Our Directors have been faithful, competent and very willing, and we owe them thanks for what they have accomplished—yet withal, I will not concede that our advancement has been due principally to their efforts. Our growth and permanency as an Association must be attributed to something more potent than that possible to attain through a careful and business-like administration of affairs. The inherent strength and stability of our organization may be attributed to two powerful influences, which, when welded together in Association work, constitute a foundation as enduring as adamant, and a superstructure of safety and excellence. These influences are furnished individually by our members, and are found to be in the spirit engendered of disinterestedness and loyalty—two traits that are not often found in any company, and when seen are so beautiful that the AVERAGE man dare not cultivate them lest he forget the sordid existence of the "dollar of our dads." Our members are different however, they care nothing for riches—PERHAPS—that is to say, the principal reason for their continuing members of the Association is not to be found in the prospect of direct gain; they are prompted rather by a commendable desire to assist in a useful cause; a cause which brings into closer relationship the credit men of this city and State, encouraging as it were a broader spirit of probity and frankness in the interchange of credit inquiries, and generally wielding a healthy and powerful influence for good in the mercantile world.

You will be pleased to hear that we have a total membership of 142. During the year 13 members have resigned and 6 have gone out of business. As we have admitted 26 new members it will be seen that our membership has shown a substantial increase over a year ago. This is very gratifying, and indeed somewhat surprising in view of the fact that at our last annual meeting our Association was the largest in numbers, in proportion to our population, of any branch of the National Association of Credit Men.

The Reporting Bureau also has shown a splendid increase, having a membership at this time of 90, as against 75 members a year ago. The scope and value of this branch of our work has been greatly augmented by the addition, as subscribers, of 15 jobbers in Colorado Springs. The inquiries received and reports furnished for the year were as follows:

	Inquiries Received.	Reports Issued.
October, 1901.....	682	4,109
November, 1901.....	554	4,125
December, 1901.....	381	3,657
January, 1902.....	458	4,334
February, 1902.....	398	4,654
March, 1902.....	335	4,556
April, 1902.....	571	5,090
May, 1902.....	489	4,706
June, 1902.....	438	3,905
July, 1902.....	354	3,795
August, 1902.....	439	4,464
September, 1902.....	761	5,283
	5,860	52,678

It will be seen from these statistics that for each inquiry received about nine reports were furnished, indicating that 9 members on an average were selling contemporaneously to the same retailer. These figures serve to give some slight insight into jobbing conditions in Colorado, as shown by the extent with which the retail merchants are buying in our local markets.

Since last March 60 signed property statements have been secured from retailers, and copies furnished to those members of the Reporting Bureau that were known to be interested. The securing of property statements is a new feature, comparatively, and will be further developed as rapidly as such a large undertaking will permit with our present limited office force and equipment. I again take the

occasion to commend the careful investigation and study of the Reporting Bureau to those members who are not already subscribers to the same, for I regard it as perhaps the most valuable branch of our work.

The prosecution fund this year amounts to \$4,190, which is a slight increase over the previous year. A fund of this character has been maintained, by members of the Association, for several years past, and the fact that no part of it has ever been used, attests strongly its usefulness in warding off fraudulent failures, so far as our members are concerned. I recommend that the greatest publicity possible be given to the existence and purposes of this fund.

During the year our regular membership dinner was held and in addition a banquet was tendered to the salesmen of this city and a smoker was given later in the season. These functions were largely attended and served admirably the purpose for which they were intended, namely, the means of bringing together our members into a closer union of intimacy and good will. Personally I should not care to see the Salesman's Banquet feature continued, unless more satisfactory dinner accommodations can be secured than have been possible in the past. In this connection the hour of sitting down to dinner (it should not be later than 7 o'clock), the service and character of food should be more acceptable, in all respects, than it has been possible to secure heretofore.

As the legislature will convene the coming winter the matter of trying to secure the passage of a law to regulate the sale of stocks of goods in bulk is before us again, and if we are to accomplish anything in this direction it is high time we were getting to work. Our efforts two years ago were defeated by the narrow margin of only one vote, and four years ago our bill passed both houses, but owing to certain unconstitutional defects was vetoed by the Governor in office at that time. During the past few years laws upon this subject have been passed in the States of Louisiana, Oregon, Minnesota, Maryland, Indiana, Washington, Tennessee, Wisconsin, Ohio and New York. In the first four States named the laws have been in existence long enough to test their constitutionality and usefulness, and I am told that in these States the laws have accomplished the exact purposes for which they were intended. The Washington law was attacked and later declared unconstitutional. The Indiana statute was also attacked on the same ground and decisions both for and against its constitutionality have been rendered, and the matter is still in the courts. I am informed that a clause defining the word "Creditor" has caused all the trouble with the Indiana law, and that the clause in question is not vital to the efficacy of the statute. My early life was spent sufficiently far south of the Mason and Dixon's line for me to have a good deal of superstition inculcated into my composition, and I must confess that I am not always a sceptic when it comes to the old saying about the third time being the Charm. We have been defeated twice with our bill to regulate the sale of stocks in bulk, and I believe that success is now ready to perch upon our banner. Each defeat suffered has been prolific of much bitter, but valuable experience, and what is more to the point we have succeeded in educating one of the wisest lobbyists the State has ever known, and I hope to see this good friend working for us on the inside this time, where his vote as well as his personality and logic are sure to have the desired weight and effect in the State Senate.

But it is necessary to get to work with all possible haste. The exact status of the laws passed in other States should be carefully investigated so that we shall be in a position to profit by the mistakes and experience of others. Personally I am strongly in favor of going ahead with this undertaking. I do not think it is possible to legislate a thief into an honest man, but I do believe that it is possible to frame a law that will place ALMOST insurmountable barriers in the way of that damnable class of pirates who swoop down upon a peaceful and confiding community and levant between two suns. And what is more to be deplored they take with them a clear title to their ill-gotten gains, leaving behind a broken faith in the honesty of mankind and sometimes also there is left behind one of those creatures who sleeps in the ecstatic security of ALWAYS having his fingers crossed—that rare individual, THE CONCEITED CREDIT MAN.

Detroit Credit Men's Association.

The regular monthly meetings of the Detroit Credit Men's Association were resumed Tuesday evening, Oct. 21, 1902, when fifty members assembled in the dining room of the Fellowcraft Club, and after partaking of a "beefsteak supper," proceeded to the business of the evening. President Gillespie welcomed the members in a brief address, calling attention to the importance of the work before us this winter.

Letters from National Secretary Prendergast in relation to the efforts to pass the Ray bankruptcy amendments were read. It was voted to appoint a committee of three to take the matter in hand and to call upon Senators Alger and Burrows urging them to support the bill in the Senate. Messrs. Fulfer, Brook and Storey were appointed as such committee.

A printed circular, dated Oct. 12, 1902, from the national secretary's office, in relation to the keeping of the records of commercial agency service as advised by the national association was read and discussed by several members. Upon motion of Mr. Puffer it was voted that the secretary send out a circular to members calling attention to this matter and urging each member to order one of the books in which to keep the record, which are to be furnished at 25 cents each.

The regular subject assigned for discussion at the October meetings by the national association: "The Advisability of Organizing an Interchange System of Trade Information and the Promotion of a Corporation Under the Absolute Control of the National Association of Credit Men, with Sufficient Capital to Carry Out the Most Approved Theory of Trade Information," was then taken up and discussed fully by a large number of members. Mr. D. C. Delamater read a carefully prepared paper on the subject, opposing the proposed corporation, but favoring the gathering of trade information locally. No member seemed to think it advisable for the national association to organize such a corporation as was proposed. Upon motion of Mr. Herman Kroluk, it was voted that it is the sense of the Detroit Credit Men's Association that while we favor the gathering of trade information by local associations, we do not approve the scheme to organize a corporation by the national association to make a business of it.

Mr. Delamater then presented a proposition from a joint committee, appointed from the Merchants and Manufacturers' Exchange and this association, to make a closer alliance between these two bodies in relation to collections and local interchange of trade experience. He advocated an arrangement of this kind, and was supported in the matter by the secretary, who happens also to be the secretary of both organizations. Mr. Puffer then moved to lay the matter on the table until the November meeting, at which a larger attendance and a fuller discussion is expected, and to which the officers and directors of the M. & L. Exchange shall be invited.

Hon. Michael Brennan was then introduced for the address of the evening on credit matters. He claimed that a higher standard of commercial integrity prevailed now than was apparent twenty-five years ago; that the present bankruptcy law was far superior to the previous one in its results and practices; commended the passage of the laws preventing sales of stocks in bulk without notice to creditors; urged greater interest on the part of all commercial bodies in the election of members of the Legislature, and also the support of reciprocity measures, especially with Canada, as a step towards great commercial prosperity. His remarks were received with great favor, and a rising vote of thanks was tendered to him at the close. The president briefly referred to the legislation likely to be taken up at the coming session of our Legislature, and suggestions were also made along this line by Mr. Goodenough and Mr. John H. Johnson.

Grand Rapids Credit Men's Association.

The meeting of the Grand Rapids Credit Men's Association was held on the evening of October 21, it being the opening meeting of the season 1902-3. Two-thirds of the members were in attendance and enjoyed a pleasant evening.

The Legislative Committee was directed to prepare suitable resolutions concerning the Ray bill, voicing the association's belief in the advisability of its early passage by the Senate. These resolutions are to be submitted to the association at its November meeting.

The recommendations of the national committee on the Improvement of Mercantile Agency Service, in reference to the adoption of a uniform system recording the general nature of agency service, were read; but the meeting decided not to adopt the agency record, it being the sense of the members that they would prefer to continue the use of their own methods in keeping track of reports.

Resolutions urging the passage of Senate Bill No. 569, at the present time in the House of Representatives, providing for the creation of a Department of Commerce, were unanimously adopted. These resolutions also requested that the National Association of Credit Men lend its interest and best efforts to the support of this measure.

The Lincoln Credit Men's Association.

The regular monthly meeting of this association was held at the Commercial Club Oct. 20th. After enjoying the usual club dinner, in the absence of President Harpham, the Vice-President, A. S. Raymond called the meeting to order, and announced the subject for discussion being a continuance of the study of the various phases of the "bulk sales" laws.

The Secretary, J. Frank Barr, opened the discussion by reading and explaining the features of the New York statute on the subject, and the difference between this and the laws of the various states in which such statutes are now in force, closing with an appeal to the members to unite in an effort in unholding the hands of the

Legislative Committee when the latter present the proposed law to the State Legislature for action at the coming session. Remarks were made upon the topic by Messrs. Weil, Bennett, Teeters, Kennard, Raymond and others, after which it was moved that the Legislative Committee consisting of M. Weil, E. E. Bennett, A. S. Raymond, P. L. Hall and J. L. Kennard, confer with the Legislative Committee of the Omaha association and formulate a plan of action in bringing the matter properly before the state Legislature in January next.

There were present Messrs. A. S. Raymond, Vice-President J. Frank Barr, Secretary C. F. McCain, R. Maw, M. J. Waugh, C. R. Lee, Geo. O. Smith, Morris Friend, C. Schwarz, F. F. McCarthy, J. L. Kennard, E. E. Bennett, M. Weil, W. H. Hargreaves, J. L. Teehees, H. S. Freeman, J. B. Horton, W. J. Cooper and a number of visitors. An invitation has been extended to the Hon. Roscoe Pound, one of the state Supreme Court Commissioners, to address the association at its next meeting on some of the legal phases of "bulk laws" that have not yet been touched upon. As Judge Pound is one of the leading jurists of the state a very profitable meeting is in prospect, and no effort will be wanting in pushing the Bulk bill matter vigorously.

Los Angeles Credit Men's Association.

A banquet of the Los Angeles Credit Men's Association was held at Levy's restaurant on the night of September 25th. The guests were: W. H. Preston, President of the association; W. C. Mushet, Secretary; Joseph L. Merrill, W. E. Nachtrich, M. Carlson, B. H. Dennis, Bernhart Levi, O. L. Gridley, M. A. Newmark, P. J. Thompson, F. N. Pauley, W. C. Kennedy, W. E. Bowles, George E. Witherspoon, G. H. Stewart, L. Knible, W. A. Phelps, E. P. Bosbyshell, E. J. Levy, L. D. Sale, Hon. W. J. Hunsaker, C. B. White, F. W. Beau de Zart, Frank Simpson, C. A. Kenyon, W. E. Barnes, C. A. Parmelee, C. F. Loughley, W. H. Booth, A. Loeb, G. Arnott, J. Mathews, J. A. Ament and B. S. Garrett.

Announcement was made that the National Association, which recently convened at Louisville, Ky., had honored the local association by appointing the following members to serve upon the national committees for 1902-3.

Committee on Business Literature—W. C. Kennedy, of the Baker Iron Works; on Legislature, George H. Stewart, of the Pacific Creamery Company; on Credit Department Methods, B. H. Dennis, of the Barkley-Stetson-Preston Company; on Improvement of Mercantile Agency Service, W. H. Joyce, of the McDonald Grain & Milling Company, on Investigation and Prosecution of Fraudulent Debtors; M. Plateau, of M. A. Newmark & Co., on Membership; W. H. Preston (appointed national Chairman Membership Committee), and E. W. Murphy, of Johnson & Carvel Company.

The local association appointments were as follows: Committee on Improvement of Mercantile Agency Service, W. H. Joyce, Herman Baruch and W. F. Bosbyshell; on Legislature, G. H. Stewart, W. A. Phelps and M. A. Newmark.

Mr. Stewart offered a resolution reiterating the association's approval of the Ray bill amending the National Bankruptcy Act, and instructing the Committee on Legislation to secure the passage of the same. The resolution was unanimously adopted.

Hon. W. J. Hunsaker was introduced as the speaker of the evening. His theme was, "Attachments and Garnishments." It was brief but to the point, consisting chiefly a *resume* of these two privileges accorded to creditors by the law. After referring to the origin of the writ of attachment, tracing it to a custom among merchants in the city of London, and not to the headspring of common law, since it is unknown to common law, he defined it briefly as a measure whereby the person or property of a debtor is haled into court. In California the mode of obtaining the writ is different from other states. All that is necessary in order to entitle the party to issue writ of attachment is to show that the indebtedness is based upon contract expressed or implied for the direct payment of money. That contract by its terms must have been made payable in this state, and must not be secured by any mortgage or pledge. In the case of a non-resident debtor a writ is more readily obtained, for the California statute discriminates between debts incurred in this state or payable in this state, and those incurred without the state. This feature, Mr. Hunsaker said, had been the subject of a great deal of complaint on the part of Eastern creditors.

The efficacy and advantage which formerly accrued from a writ of attachment, said the speaker, have been very much impaired by the bankruptcy law, for under that law a writ of attachment is dissolved by an adjustment in bankruptcy.

After explaining the method of serving the writ, etc., Mr. Hunsaker treated of garnishments. By means of such a measure a debtor is precluded from making payment of any property to any person other than the sheriff. The fairness of the improved statutes was commented upon. The speaker recalled a time when there was a rush of creditors to file their attachments. The first one succeeding received the extent of his claim—the other fellows whistled for their money. Now, by reason

of the fact that a creditor may become a petitioner in involuntary bankruptcy, it is rare that any advantage is obtained by early filing.

Garnishment, briefly, is to reach debts which may be offset by property at the time intangible; in other words, to impound liabilities arising from obligations owing to the defendant of the suit. In order that the garnishment proceedings shall be effective, they must be properly conducted. There are many peculiar phases of the law of garnishment which render that process frequently ineffectual. One point to be remembered is that courts hold the debt must be due at the time notice of garnishment is given. It is another rule that you cannot garnish the original maker of a negotiable instrument before its maturity.

Mr. Hunsaker was followed by George E. Witherspoon, who gave a report of the proceedings of the National Convention held at Louisville, Ky. The credit men adjourned about 9.30 o'clock.

Louisville Credit Men's Association.

The credit insurance meeting, planned by this association, was held on the evening of Oct. 7, at the Louisville Hotel, and brought together over one hundred of the leading business men of the city. Mr. Walter Walker, President of the association, presided. Addresses on the subject mentioned were made by Mr. W. J. Morphy, of Chicago, the northwestern representative of the American Credit Indemnity Co.; Mr. A. O. Kaplan, of Cincinnati, representing the Ocean Accident and Guarantee Corporation of London (whose address is published elsewhere in this issue), and Mr. C. B. Nordeman, of J. M. Robinson, Norton & Co. The gentlemen mentioned spoke in favor of credit insurance, and on the other side were heard Col. Morris B. Belknap, of Messrs. W. B. Belknap & Co.; Mr. W. H. Bradbury, of Carter Dry Goods Company, and Mr. S. A. Hilpp, of Messrs. Hilpp, Richardson & Co. A great deal of interest was exhibited in the discussion.

The Milwaukee Association of Credit Men.

At a meeting of the Milwaukee Association of Credit Men, October 3, 1902, the following resolution was adopted:

Resolved, That the Secretary of the Milwaukee branch of the National Association of Credit Men be and he is hereby instructed to write to Hon. Knute Nelson, of Alexandria, Minn.; Hon. Geo. F. Hoar, Worcester, Mass., and Hon. George Turner, Spokane, Wash., and our two Wisconsin Senators, urgently requesting them to vote for the early passage of the Ray bill, and especially the adoption by the Senate of the Ray Amendment on Section 57 G, excepting due course payments from the preferential category.

Further Resolved, That the officers of this association are hereby instructed to endeavor to obtain the adoption of above amendatory bill, believing as we do, that practically the entire business element of the country is in favor of the law permitting every creditor to retain all moneys paid to him by a bankrupt, even within the four months of bankruptcy, unless the creditor had reasonable cause to believe that the bankrupt intended to give him a preference by the payment.

The topic, "The Advisability of Organizing an Interchange System of Trade Information and the Promotion of a Corporation under the absolute Control of the National Association of Credit Men, With Sufficient Capital to Carry Out the Most Approved Theory of Trade Information," was discussed, and the following resolution was adopted:

Resolved, Though the members of this association appreciate the value and are in favor of reciprocal trade information, the sentiment is that it is entirely inexpedient and impractical to enter into the promotion of a corporation for the purpose of establishing a bureau of interchange at the present time."

The Membership Committee is going to make a strong effort to show a decided increase in the membership of the Milwaukee association before the first of January.

New York Credit Men's Association.

The first regular meeting of the New York Credit Men's Association of the year 1902-1903 was held at the Drug Club, Thursday evening, October 16th. President Meek presided, and immediately after the banquet, introduced Mr. G. Waldo Smith, formerly of Smith & Sills. Mr. Smith spoke as follows:

Longfellow gives us the word painting of a beautiful picture in Indian life, that of the beautiful Minnehaha, of the reeds and rushes. You will pardon me if I talk considerably to-night of the past. The past is mine, the future is yours and I occupy a unique position to-night. I am the only man in that position. My life's work is done, away, and passed. I am no longer a factor in the affairs of life. I have retired from business and all business activities. I have striven and you are striving. Whether I have arrived or not is another question, and yet I have arrived at the end of my life's work and don't feel the least bit bad about it. I am an old

ship that has buffeted the billows and storms of commercial life for almost half a century. I have become a derelict and have been cast up on the beautiful shores of Long Island Sound, and hope I will be permitted to spend there a few remaining years of quiet life before the breaking up, and I am determined to have all the good times, and all the joy of life, and if possible do what little good I can, and smile on every good thing whenever I get an opportunity. I had ancestors of course. We all did. My ancestors settled in the town of Smithdoug where I was born in the year 1865. I have a copy of the deed the Indian Chief and his wife gave to my ancestor, Col. Smith, during Cromwell's government. Governor Nichols confirmed the deed. We all had ancestors, as I said before. When I was a boy I was on board my father's vessel that brought us to Oliver's Slip. I was captain at the age of seventeen. I ran the vessel from New London to Norwich when I was 21 years 3 months and 20 days old. I left the vessel in Norwich, got on a steamboat, came to New York and went to work on Eighth avenue in a grocery store. Later I went into partnership with my brother. At that time I knew nothing about groceries. The wagons as built in New York then carried only 14 barrels, 7 on each side. I built a wagon 20 years ago that carried 67 barrels. When I came to New York the first time on one of my father's sloops, I had an uncle who lived at the corner of Twenty-first street. He took me up there through the fields, not through avenues. In the store at the corner of Twenty-first street and Eighth avenue, my brother was clerk. My first purchase was a half pound of sugar. That was my first business transaction in any line in New York city. Since that time I have closed the largest transaction in sugar ever made in the history of the world, a transaction by which all the sugar has been sold by all the wholesale grocers east of the Rocky Mountains. I remember my father giving me three dollars for spending money. What do you think I did with it? I bought a copy of Milton's "Paradise Lost," Young's "Night Thoughts," and a history of Greece. I have those books yet. They are part of my library and money would not buy them. In those days all the way above Fulton to Thirty-fourth street, was a continuous line of ship-yards where they were building all kinds of wooden vessels. The time had not come for iron ships then. That was one of the first things that attracted my attention. Up at Forty-fourth street where I went to visit friends, I saw two men going out gunning to Forty-sixth street and Ninth avenue, and they shot woodcocks. I have been shooting where Riverside drive is now. I was in the retail grocery business. One Thanksgiving afternoon, after I had closed my store, and had my dinner, I had an idea that I could sell flour at wholesale. I took some samples and went out and visited every baker within a mile of my store. I got one customer and sold him 3 barrels of flour. That is the foundation of the business there to-day. That was the first sale I ever made. There is a business there that equals in volume of city trade any other business in New York of the kind I am going to give you two of the lessons I have learned from business experience. I have learned this, that success in life is derived from continuous hard work. Intelligent hard work usually brings success, and success ordinarily cannot be achieved any other way. There is a saying that I consider a mean one in one sense. It is true that I don't like a man that will be honest because it is the best policy, but because it is right to be honest. I believe, and all my business experience teaches me that "honesty is the best policy." If a man wants to succeed he has got to make the world believe that he is honest, if he wants success in business life in New York or anywhere else. I never had but one motto in business, and that I printed at the head of circulars thousands of times. Good goods, reasonable prices, prompt delivery, and nothing else. I never believed in a cheap man. I always impressed it upon my salesmen that they were not cheap men. We were not the cheapest house, and did not sell the cheapest goods. We only sold goods at reasonable prices. Take us in the long run, and trust in us, and they would come out right in the end. That was the doctrine I always taught every salesman when starting out. I never believed in the treating business. I always thought it was a dangerous thing to do. One of my men said, if you want me to sell a certain party goods, you have got to allow me to treat him. I said, you and I will meet at the Judgment seat, and I will never do anything that will start a man to a drunkard's grave. That man died a drunkard afterwards. It was not my fault. I have always told my salesmen if they sold an order for \$1,000 worth of goods, and I learned it was done by treating a customer to one single drop of liquor, the goods would never be delivered. I believe I made money by it. I know I did. Nothing pays like reputation, and reputation is built on character. Merchants of New York City want solid substantial character. I believe my fifty years' business experience in New York City taught me from my contact with men, that the average merchant of New York City is absolutely honest in all his dealings. I don't know whether I am right or not, but so far as I have observed men, and watched business transactions, the merchants of New York City are honest, square-dealing men, and in most places here, a country merchant can send in his order and

tration, and the inauguration of our new campaign of work, we ask but a few moments of consideration and the privilege of a heart-to-heart talk.

First, we will emphasize the power of personal influence. Carlyle says, "The casting of this pebble from my hands alters the center of gravity of the universe." Everyone stands for something. Influence cannot be conjured down. Yet it remains a stubborn fact, the eternal part, we may aptly say, of our nature. It is impossible to stand still; we must either be progressing or retrograding, and just so far as we may move along one of these two lines will the sphere of our actual influence extend.

Some one, you may be sure, is watching us; being influenced by us; and it is not right nor just to our very being, that when we have such a power and privilege, it should be in any way diminished, lost sight of, or sacrificed to purely idle and indifferent considerations.

We are mostly young men, and should some one compile a history of successful men, but few of our names would at this time be recognized; but, really, the leap is very short from obscurity to recognition, and very many play around the brink, anxious to make the venture, but lacking in vitality or courage.

Now to pass from the general to the special. We have undertaken a movement that voices a long-felt want for co-operation and education. It is simply beyond reason that any such work as ours should be accomplished, even in the smallest part by a few, no matter how vigorous and powerful they may be. The success of it all depends, let me assure you, on the very smallest member and his willingness to contribute to it, and accomplish the things and purposes which we have in view and will undoubtedly reach.

Don't for a moment let any one of us consider ourselves so deficient in opportunity, education or experience, as to be classed among the unhelpful, and when the call comes for any effort, great or small, simply to believe that some one is going to do the work, and that it can surely be accomplished without our assistance.

Again we emphasize that every one counts, his influence is felt in this work, either for or against, and the purely indifferent and unwilling reflect more largely against the accomplishment of desirable purposes than they have the faintest conception of, nor could perhaps reasonably understand, unless they were placed in a position to fully discern it.

We make this appeal, that every member recognize that as a co-operative body, we must work together—not one laggard, not one willing to fall to the rear, not one hanger on; but with readiness and loyalty, each willing to do his very best, respond cheerfully to all demands, and contribute his share to the character, success and power of the National Association of Credit Men. (Great applause.)

The speaker related several interesting anecdotes during the course of his remarks.

The President then introduced Mr. Prendergast, who spoke briefly on the preference feature of the Bankruptcy Act, and, in conclusion, said: In connection with this subject I was requested to present a set of resolutions. They are in recognition of the great services of Chairman Ray, and it is very proper that this association should express its approval of what a man has tried to do for the business men; those of us who visited Washington when the Bankruptcy Law was under discussion can testify that everything that a man could do to further a great cause, Chairman Ray did, and, therefore, I consider it an honor to submit these resolutions:

Resolved, That the New York Credit Men's Association extends its cordial thanks to the Hon. Geo. W. Ray, of Norwich, N. Y., for his loyal interest in the cause of bankruptcy legislation and the brilliant efforts which led to the passage by the House of the Amendatory bill on June 17, 1902; and be it further

Resolved, That the association congratulates Mr. Ray upon his well-earned appointment as a Judge of the United States District Court, and trusts that the new and most honorable career before him will be marked by services as distinguished as those which have characterized his course in the National Legislature.

The resolutions were adopted.

President Meek then introduced Mr. Marcus M. Marks, who spoke at length on the recent accomplishments of the Association of Wholesale Clothiers. Mr. Marks stated that the organization now comprised the twelve largest cities in the United States, and the advantages accruing from the co-operation of the different associations were such that within a short time the association would be one of the most powerful factors in the commercial world, from a standpoint that would have a tendency to protect all wholesale merchants in the extension of credits. Mr. Marks urged all members present to study closely the method employed by the Clothiers' Association, feeling confident that the excellent suggestion would prove of vast benefit. Mr. Marks also related several interesting anecdotes which were well received.

The President then called upon Mr. J. A. Lewis, President of the St. Louis Credit Men's Association, who spoke as follows:

I came here not expecting to be called on for a speech. It is getting late, and I will not detain you. I trust we will have the pleasure of seeing you all at the annual meeting. I am very glad to have the opportunity to meet with you and see and hear what a great association you have. It is a shining mark, at which we, of the St. Louis association shall aim. We have added about fifty new members to our association, and have gotten those members by persistent effort more than anything else. We are now engaged in active preparation for the convention to be held in our city next June, and we hope for a very large attendance from New York. (Great applause.)

The officers for the current year are: President, Charles E. Meek, with National Lead Co.; Vice-President, Malcolm Graham, Jr., of F. O. Pierce Co.; Treasurer, Edw. E. Huber, of Eberhard Faber; Secretary, H. J. Sayers, 320 Broadway; Executive Committee, two years—W. A. H. Bogardus, V-P. Tubular Dispatch Co.; T. M. Brown, Manhattan Shoe Co.; F. A. Bucknam, Nason Mfg. Co.; G. S. Mariager, Parke, Davis & Co.; R. P. Messiter, Minot, Hooper & Co.; One year—Wm. M. Haines, Arnold Print Works; Marcus M. Marks, David Marks & Sons; Jos. B. Martindale, Chemical Nat. Bank; Otto A. Strecker, Abegg & Rusch; A. H. Watson, Watson, Porter, Giles & Co.

Philadelphia Credit Men's Association.

The most largely attended meeting in the history of the Philadelphia Credit Men's Association was held on Tuesday evening, Oct. 28. One hundred and eighty-nine members participated. Among the prominent guests were President of the National Association J. Harry Tregoe, former President John Field, and President Charles E. Meek, of the New York Credit Men's Association. Addresses were made by the three gentlemen mentioned, and reports submitted by the standing committees of the association. We regret that the necessity of having to go to press prevents our giving a full report of the addresses and other interesting matters submitted to the meeting, all of which, however, will appear in our next number.

Pittsburg Association of Credit Men.

The monthly meetings of the Pittsburg Association of Credit Men, after the vacation season, were resumed on October 9, with a large attendance. Papers on the exchange of credit information were read by Mr. Geo. W. Ryan and Mr. J. O. Fitzsimmons, published elsewhere in this issue.

A general discussion followed the presentation of these papers, with the result that a resolution was unanimously adopted pledging the Pittsburg association to heartily favor the exchange of credit and trade information, and also favor a general movement for its dissemination.

President Given called the attention of the meeting to the necessity of urging the United States Senate to adopt the Ray bill, amending the bankruptcy law, and the following resolutions were thereupon adopted:

Whereas, The Ray bill, amending the national Bankruptcy Act, was passed by the House of Representatives June 17, 1902, was generally satisfactory to business men, and especially so to credit men in its amendment of Sec. 57 G, by which partial payments received in due course of business are not to be construed as preferences; therefore, be it

Resolved, By the Pittsburg Association of Credit Men that they desire the early consideration and passage of the Ray bill by the Senate, and they further desire that no change be made in the House Amendment to Sec. 57 G, that being the particular part of the amendment for which business men and credit men have been contending.

Rochester Credit Men's Association.

A largely attended meeting of the Rochester Credit Men's Association was held Saturday night, Oct. 4, at the rooms of the Chamber of Commerce. The first business of the meeting was a report from the Legislative Committee. The committee presented a preamble and resolutions, urging the United States Senate to pass the Ray bankruptcy bill, which has already passed the House of Representatives, and is in the Judiciary Committee of the Senate. The resolutions were adopted unanimously.

The Nominating Committee presented these names as officers of the association: President, Joseph Farley; Vice-President, Ira Kingsbury; Treasurer, Lee Richmond. The nominations will be bulletined until the next meeting under the provisions of the constitution.

A report was made by the delegates who attended the national convention at Louisville.

Hon. O. F. Williams, consul at Singapore, was introduced, and addressed the association. Among other things Mr. Williams said:

When asked to attend your session the desire to meet old friends prompted ac-

uncollectible accounts, or you refuse to join because so far you escaped selling to bad people, or for the reason that you have connected yourselves with some collection agency that promised to relieve you of all worry and work in making collections.

I claim we all ought to join our collection department, as a preventative for bad debts. As a rule, if you hand an account to your collector, you consider it worthless, or at least, bad, and if you get your money, the chances are you close this account for good, and stand prepared to sell again to some other worthless person who has, perhaps, cheated others, and is now trying his luck with you. This could be prevented if you not alone joined our collection department, but followed it up in the way that is being suggested to you. Our method in handling these collections is as follows:

You are furnished two sets of letters; as soon as you send the first one out, you detach a slip and send it to the secretary so that he has a record of your action. If, within a given time, no reply is received, a second letter is sent out, and again a few days are allowed for an answer. If, however, your customer still refuses to pay or answer, then our secretary publishes a monthly list of such names of persons who are indebted to our members and positively refuse to pay their debts. These lists, if properly kept, I call an effective barrier to opening undesirable and bad accounts.

Say, for instance, that a small merchant at Grass Valley owes me a balance of \$25, and positively refuses to pay any attention to letters sent out by our collection department, and finally appears on our monthly list. If you now would hand this list to your office boy and let him put every name in a special index, so that when you receive a small order from a person whose name cannot be found in the mercantile books, or who has no rating, you can refer to this special index and see if his name appears among the so-called "N. G.'s," and the chances are, my friend from Grass Valley may be the one you are looking for; the consequence would be, you would not open an account with him even though your salesman writes or reports that he considers him O. K., and underlines his recommendation.

It is true so far the list published only contains about 150 names, but every month the number will increase, and if you all join, I can safely predict that among our 175 members it would not be surprising for one or the other to receive a small order, either direct or otherwise, from a party who has failed to pay his honest debts before.

Up to a few years ago, it was the custom among business men to hide from their competitors their customers' debts

and mode of paying, and when a failure occurred, we were all surprised to learn that we were not the only victims in our respective lines. This condition of affairs brought to life the Merchants' Credit Association, which has curtailed failures to a comparatively small percentage, and proved an obstacle to merchants with a limited capital and chronic slow pay from buying largely of every members of the association without their knowing it.

Gentlemen, I again emphasize that in joining this collection department you don't do so for the possible chance of collecting your bad debts, but principally to contribute your personal experience to who does not pay his debts, and in so doing you furnish the long-looked-for motive to open undesirable accounts, or, if they are already opened, to see that you can save your money before it is too late.

I dare say, nearly every one present belongs to the Board of Trade, which is accepted as an excellent organization, but I feel satisfied that very few get the proper benefit from that institution.

As a rule, you pay your monthly dues and send your statements if you are interested in a failure which is reported, and let the committees and the respective officers of the Board of Trade do the rest. When its monthly reports are issued you glance at them, and I have no doubt, some of you may keep them; others, I know, do destroy them, especially if they were not interested in any failures during that month.

When the Board of Trade was organized, in April, 1877, I claimed then, as I claim now, of our collection department, that these monthly lists, if properly kept, will become a valuable bureau of information, and will prevent us, more than once, from opening undesirable accounts, and I have brought here to-night the proofs of my assertion.

From April, 1877, to August 31st, 1902, which means over twenty-five years, I have not alone preserved every report published, but I have every name indexed in the book which I now hold in my hand, and this very index contains the clew to over 12,000 failures.

It is my custom in opening new accounts, before I consult the Mercantile Agency book, to look into my Board of Trade index, and it would surprise you, gentlemen, to learn of the valuable information I very often receive, and it has time and again prevented my opening an undesirable account and losing money.

Whilst most members of the Board of Trade have found this institution useful to assist them in making settlements with bankrupts and dishonest merchants, I can assure you that their monthly reports, properly kept, will save them more

money than their facilities for settlement.

However, I am not here to-night to speak of the many existing evils in our commercial circle, but to point out one sure way out of one of the evils, and that is, an up-to-date commercial education, which teaches us to grasp every opportunity to unite our interests and adopt every preventative, and not wait until we are beaten and made sick, but to follow the old Chinese custom and pay for the preventative and not for the cure.

Should the Credit Men Organize and Control a National System for the Interchange of Trade Information?

GEO. THURSTON MACAULEY, COLUMBUS, O.

Looking at this question from the standpoint of desirability, solely, I would say, let it be done.

In a general way, the great mercantile agencies in the United States are working upon the same plans which were in use fifty or more years ago. These have been modified from time to time, but apparently have not been remodeled, while the credit systems of mercantile houses, as they exist to-day, are vastly different from what they were then. Commerce has increased a thousand-fold, every branch of trade has become highly specialized, and the credit man of to-day has ideas in regard to the dispensing of credit which would be revelations indeed to his brother of a half century ago.

Still, speaking generally, the old idea of the agency in furnishing information was to supply the views of the agency's agents, and of the merchants' neighbors, as to his character and habits, and append their estimates of his prospects of success. In these days, our credit men do not, as a rule, care about what anyone thinks of a man's prospects, but we do want to know what he has done and what he is doing. We do not desire such information, as "no material change since last report," which statement, by the way, ought to condemn the subject of it, for there should be a change in every successful business, no change being stagnation, and stagnation being non-success; it should also condemn the agency furnishing the report, for it shows either poor means of collecting data or else poor judgment as to the meaning of existant conditions. On the other hand, we do want to know how the man is conducting his business this year, this season, yesterday, and then we can draw our own conclusions. This information can only be accurately obtained from the man himself, and from the banks and business houses with which he deals. The signed statement which we hear so

much about gives the one part; the question is how best to get the other part.

In many branches of trade there exist credit clearing houses or specialized mercantile agencies for this express purpose of obtaining and disseminating this very information, and they have been more or less successful, according to the degree of confidence inspired by their managers, and as the number of houses contributing data, is proportioned to the whole number engaged in that line of business, I do not believe that any argument is required to show the value of such a system of reporting—those existing agencies just mentioned speak for themselves, or, rather, their members are ready and willing to speak for them.

These do not, by any means, cover the field. If a merchant confined his dealings to any one class of articles, no general credit clearing house would be required or desirable, but quite the reverse is the tendency of these times. Such an organization as suggested would inspire confidence in the contributing members, so that they would freely give up what knowledge they might possess, and, if properly managed, would be a wonderful help to the credit man. It would not be difficult to show that it would also be of considerable benefit to the National Association of Credit Men, as such, in that it would offer an additional inducement for prospective members.

C. B. HIGMAN, SIOUX CITY, IOWA.

The advisability of organizing an interchangeable system of trade information is a good one. Under such a system correct, unbiased and honest information would be had that could not be obtained in any other way. The commercial reports are often furnished by some lawyer or banker, and in many such cases it is apt to be "you patronize me and I will see that you are rated all right, and get all the goods you need, etc., etc." Consequently, the reports are misleading, and quite often prove disastrous to the creditor. Information received through a member of the National Association of Credit Men would be free from the aforesaid disagreeable features.

After such an organization was started it could charge a fee commensurate with information furnished.

Such an organization would be of great benefit in keeping track of the irresponsible and roaming merchant, who, after duping his creditors in one locality, then seeks new pastures and new victims to fleece.

Such an organization as this, embracing the whole country would have a tendency to reduce the crooked deals, and fraudulently obtaining or disposing of goods to a much smaller per cent. than

at the present time. It would also have a tendency to reduce over-buying.

You have all heard the story of the Dakota merchant whom his creditors found at a certain season of the year with several bills of unseasonable goods on hand, and who, when asked why he bought so much of same grade of goods at so many different places said: "Well, I tell you, the first man that comes along I buy goods; I do not hear from these goods; another man comes along, I buy the same of him, and so on; by and by I get about half of these bills shipped me." When asked why he did not send them back, he said they were so hard to get he thought he would keep them.

Now, with mergers and combines of all kinds, why would it not be a good plan for the National Association of Credit Men to combine and work as a unit to drive the crooked dealer, the rascal, and the firebug out of business, and see him kept out after once getting him out.

Such an organization would also help the honest and deserving merchant, because the credit men of his locality would be glad to assist him in every way possible when he was cramped for money.

The old credit man is the best reader of human nature on the face of the earth, for after talking with a customer for half an hour, ninety-nine cases out of a hundred, he can tell whether or not that man will pay his bills.

Therefore, organize, put a live man in the office, keep the expenses down. Then we will have the best information, and for one-half the money it can be obtained in any other way.

F. E. HOCHSTETLER, OMAHA, NEB.

Would it not be to the advantage of the members of the National Association of Credit Men to patronize the Credit Clearing House rather than to undertake to organize a like institution under their own management? The Credit Clearing House is thoroughly organized, and is giving its subscribers first class service. The reports issued from their offices are exceedingly valuable. Perhaps they can be improved, but it is within the province of the credit men themselves to make the greatest improvement in them. This can be done by each having his house become a subscriber, and with the increased number of contributors to the reports which this would bring about, they would at once become invaluable.

The gathering of credit information, getting it intelligently edited, keeping it revised and up to date, and having it so classified as to be able to supply it upon demand, is a business within itself. It requires a great deal of capital to organize such a business. It requires a great

many subscribers to render such a business self-sustaining. If a few such enterprises reach a large profit paying position, we may feel secure in our opinion that this result has been accomplished by rendering to their patrons services so valuable that they cannot be dispensed with.

The Bradstreet and Dun agencies are significant examples of this.

The Credit Clearing House covers a line of reporting which is equally valuable to that furnished by these two companies. They have hundreds of subscribers who would not dispense with their service under any circumstances. There are hundreds who are not subscribers, who, did they become such, would likewise hold in high esteem these reports.

Why undertake to organize and launch another company in the field of credit reporting when it is already so well covered? There are few persons who would individually be willing to back such an enterprise with their money, and follow it as a business. It has proven too hazardous. Such a business is a perfect sink-hole for capital if it fails, for there is no salvage. There is a place for but one company of this character, and this place is now filled by a good one and a strong one.

In my judgment, it is the part of wisdom to "cling fast to that which is good," and by giving to it the support and co-operation which its officers have solicited, and which, I believe, it deserves, these reports can be made so complete and so valuable that no up-to-date credit department would be without them.

How a Credit Man Was Duped.

CAUTION TO CREDIT MEN.

A Sad Story from Life—Related by the Victim.

I had a little experience recently which I think will be of interest to the members of this Association, and perhaps in the event of their happening to run up against a similar proposition may be the means of saving them some money.

One of our customers in Michigan executed a trust mortgage in favor of the credit men of a large jobbing house, agreeing in the instrument to make a payment of a certain amount each week or month, as the case happened to be, and the trustee was to distribute the amount so paid *pro rata* among the creditors, the trust deed being drawn to cover all the creditors. The debtor also arranged so that he would pay 5 per cent. interest, or, in other words, through the trust mortgage

he contemplated paying 100 cents on the dollar and 5 per cent. interest. We filed our claim of \$66 with the trustee, whom we knew fairly well, and dropped the matter from our mind. In the course of a month we received a letter from an attorney in our city stating that the settlement under the trust mortgage would be a long-drawn-out affair, and the outlook somewhat problematical, and that some friends of the debtor had gotten together and were willing to put up the money to bring about a compromise settlement, and enable the debtor to get rid of his debts and resume business. The letter seemed to show such familiarity with the trust mortgage and the condition of the debtor's affairs, and besides, indicated that the attorney was in fact authorized by the debtor to take the matter up with the creditors.

I happened to be out of the city at the time, and the attorney was notified that the matter would be laid over fifteen or twenty days until my return. He seemed anxious to close the matter up, however, and telephoned us that he would give 45 cents on the dollar. When the writer returned to the city the clerk was instructed to notify him that we would settle the account 50 cents on the dollar, naturally assuming that the proposition was a general one to creditors. Now there is where we made our mistake; we should have written the trustee regarding the matter and had him put himself on record, but everything looked as though the attorney was simply acting with the trustee or with the debtor. The attorney accepted our proposition, and we assigned our claim to him upon receipt of 50 per cent. The same tactics were employed successfully with other creditors, but some refused to join in the matter of a compromise.

These facts only developed about a month later when the debtor called at our place of business to buy some goods and wanted a little time on them. I suggested to him that he would have to pay cash, as we had lost 50 per cent. on the old account. The debtor was accompanied by his wife, and both of them expressed a good deal of surprise. I got out my papers and explained the facts to them, and they in turn surprised me by stating that they did not know the attorney in question; that he had no authority from them to compromise any claims, and further, that they had been making their weekly or monthly payment to the trustee with the idea that the distribution was being made to the creditors, and that eventually they would pay 100 per cent. and interest at 5 per cent.

We took the matter up with the trustee and he disclaimed any knowledge of the attorney's action in the matter, but admitted that several claims had been com-

promised by the creditors and assigned to the attorney. The letter written us by the attorney in question certainly misrepresented the facts, and the point we have not yet satisfied ourselves about is where he got his information about the trust mortgage and the creditors, and at whose suggestion he undertook to settle claims in the apparent interest of the debtor without any knowledge on the part of the debtor.

The moral of all this is: To beware of any propositions or compromises unless made you through the proper channel.

We lost 50 per cent. of our claim in this instance by not taking that precaution.

Exchange of Credit Information.

CHAS. W. EYAN, ASSISTANT SECRETARY
STANDARD MFG. CO., PITTSBURG, PA.

In years past, and for ages past, he was considered a successful and competent business man or credit manager, who could keep to himself all information pertaining to the responsibility of his customers, and at the same time draw from his competitor his experience, which information would be used in the case warranted.

Unscrupulous and unprincipled acts were resorted to in many cases, and this "competent credit man" gave as little as he could and got as much as possible.

In giving information to a "friend" (?) he often managed to leave a wrong impression, and in many cases it would, not long after, act as a boomerang, and our successful man would find a F. & L. entry ready for him at the end of his fiscal year.

This was the method under the old regime.

The new method is as different and as superior as is the new to the old method of traveling across the country.

To-day he is considered a shrewd and successful credit man who will inspire confidence among even his competitors by throwing open his ledgers, and his credit records if necessary, thus giving the true condition of a debtor, and in return he will get an equally true statement from that same competitor.

Confidence begets confidence, and "bread cast on the waters will return (sooner than) after many days" (sometimes).

The Credit Clearing House is an ideal method of exchanging confidences, the one drawback being that, as a rule, its members have not that personal acquaintance with each other that begets confidence—with the result that informa-

tion is withheld which might be profitably given.

The ideal of a Credit Clearing House controlled by the National Association of Credit Men is a *grand idea*.

It may not work out satisfactorily at the present time, but will be a long step in the right direction.

It will work out satisfactorily provided the great majority (in any line taken up) is secured as members, because the fraternal feeling is here to stay and our *alternative* is, therefore, to *get more members* and not be satisfied until each manufacturer and jobber in the country is one of us.

The idea of exchange of credit information appeals to every live wide-awake business man, and should prove a powerful drawing card.

Because some of these credit bureaus have failed does not signify that one controlled by the National Association of Credit Men should do else than succeed.

In some lines of business a credit bureau is a distinct feature among the jobbers in that line.

One case in particular which is in existence to-day suggests itself to the writer, and has proved so beneficial that it forms a link to the members interested, which the strongest competition has failed to break.

The case mentioned was among jobbers of a certain city where failures and large losses (as a consequence) were frequent among the retail customers, caused principally by the fact that each jobber thought he knew his man and would cover up the real condition of an account.

Seeing the folly of such a policy these same jobbers, or wholesalers, banded together in the above-mentioned association with the result that a system was established, a competent secretary employed, and the few small losses which have occurred since were the result of indifference or negligence on the part of the loser.

Too much cannot be said of co-operation, and if it is worth while to co-operate to maintain prices as some manufacturers do, it is also worth while and necessary to co-operate to control the extension of credits.

The name "National Association of Credit Men" is high sounding, but it is like "sounding brass and a tinkling cymbal" if we do not set the pace for those of the country who look to us to do something, and not sit around waiting for something to turn up.

Our opinion, therefore, is: *Start the exchange of credit information as quickly as enough members can be gathered in to make it interesting, profitable and successful, and begin at once to get the necessary number of members.*

Credit Insurance

ADDRESS READ BEFORE THE CREDIT MEN'S ASSOCIATION OF LOUISVILLE, KY., BY A. O. KAPLAN.

Credit insurance, or indemnity against excessive losses on book accounts, is the outgrowth of a need on the part of creditors for protection against excessive losses brought about by the misfortune, incompetency or dishonesty of debtors.

The commerce of nations is based upon credit, credit begets risk, and risk begets losses. There is no theory or uncertainty about this proposition, except the uncertainty of degree, viz., the extent to which losses absorb the profits. If they do not exceed a normal or pre-estimated percentage of the gross sales, the profits are safe. If, on the other hand, the losses are abnormal, they may not only absorb the profits, but corrode the capital with disastrous consequences.

It is therefore the aim of the creditor to load the expected percentage of loss either upon the cost of the goods or upon the profits, and thus make his debtors as a whole make up the expected losses as a whole.

This problem works out advantageously if the losses during the year do not exceed the percentage estimate or provision made for them at the beginning of the year; but who can foretell with any degree of certainty what they will amount to. An allowance may have been made of 1 per cent., and the actual result may, owing to unlooked-for trade conditions, be 3 per cent. The creditor dare not make too large a loading because if he does, the price of his goods may be too high to meet competition.

It is comparatively easy to estimate in advance the cost of most of the items entering into the manufacture and delivery of merchandise, other than materials and labor, and by applying these estimates to the expected volume of sales, arrive at a basis for profit; for instance, the expected output can be gauged by the selling force employed; the cost of selling can be approximated by the salaries and expenses of traveling salesmen; the miscellaneous expenses, such as office, factory or store incidentals; taxes, insurance, etc., are easily figured out; shrinkage or depreciation are for the most part uniformly estimated; but the one item which can never be figured out in advance, which may be phenomenally light in one year or disastrously heavy in the next, and which is, therefore, a vital and perplexing factor in all business calculations, is the percentage of loss on bad debts; for, difficult as it is to sell goods, it is frequently more difficult to get pay for them after they are sold.

Not only is this element of loss the most difficult to pre-judge, but it is also the most difficult to avoid, so that the real problem is not one of avoiding losses altogether, but of keeping them within the bounds of expectancy.

It is folly to bank upon previous experience in this regard, because escape from disaster in the past is no evidence of immunity for the future; as well might one argue that because he has not suffered from a fire or a broken limb in the past, he is proof against such hazards in the future. On the contrary, according to the law of average, the danger is rather enhanced, so that the element of excessive loss from bad debts is not only ever present, but no business conducted on a credit basis can purge itself thereof. The measure of safety, therefore, lies in ways and means to confine losses to the expected or pre-estimated percentage, by indemnity against an excess thereof.

This is the scope and purpose of Credit Insurance.

The companies undertake for a money consideration and within prescribed limitations and conditions, to reimburse the assured for losses sustained on book accounts, over and above the estimated normal loss (technically known as the initial or own loss) which initial loss the assured must incur before the company's liability begins. This initial loss is an agreed percentage on the assured's gross sales during the policy term, and is usually based upon his normal loss experience for a term of five years immediately preceding the commencement of the contract. With such a guarantee in hand, the fear of excessive losses from bad debts is robbed of its terrors; a way is provided for bridling (I was going to say, damping) this item of commercial drainage, and the safety of profits is reasonably assured.

It must not be supposed, however, that an insurance company can afford to grant such protection without proper safeguards and without rules and regulations which the assured is expected to abide by. One of the requirements is that the debtor shall have recognition as a merchant by having his name and rating appear either in the book of one of the mercantile agencies agreed upon, or in a special report issued by said agency; another is that the company's maximum liability upon any one account shall not exceed an amount stipulated in the contract; another is that the debt must be due for merchandise sold and shipped; another is that the company shall be notified of the occurrence of failure within a specified number of days after the assured is informed of the fact.

All these are legitimate and necessary conditions which work no hardship upon

the assured, but which, on the contrary, induce conservativeness and caution. The company's undertaking is to make good the assured's loss during the term insured, over and above the exemption already explained, and up to the limit of the policy.

Credit insurance is not intended to be a money making proposition for the assured, but a means of protecting profit and capital. Its proper sphere is to encourage in a legitimate way the extension of credit to worthy debtors, and not to induce recklessness or the opening of accounts with financially and morally unreliable customers. It is designed to foster conservative aggressiveness and to give the assured that feeling of security which encourages enterprise, inspires confidence and builds up a business.

While it deals only with losses growing out of the insolvency of the assured's debtors, it protects the assured himself from insolvency brought on too frequently by inability to collect outstanding accounts, and its general or morally compulsory adoption, like fire insurance, would materially lessen, if not eventually prevent those periodical recurrences of financial depression and panics which the business community so much dreads.

But such general adoption—while rapidly growing in favor, is largely a matter of education, and takes time, just as it took time to educate people up to the benefit and necessity of fire or life insurance. It is not so very many years ago that worthy divines denounced fire and life insurance from the pulpit. They called it "flying in the face of the Almighty," and argued that if the Lord intended to chastise a man by fire or take his life, it was sacrilege to repair his loss with a money equivalent, or to keep his widow and orphans from want by an endowment policy. Happily such follies have melted before the sun of intelligent reasoning and progress.

Credit insurance is a trade builder and a sales stimulator, if legitimately applied, but the merchant who buys it with a view to taking on accounts which are unworthy of credit, and which he would otherwise turn down, commits as grave an error as if he were carelessly (even without sinister design) allowing matches to lie about, knowing that he carries fire insurance. In the first place, he relaxes that vigilant scrutiny of credits without which no business can be made a success; in the second place, he enhances the danger of exhausting his own or initial loss, which it is to his interest to keep within the bounds prescribed; and in the third place, he acquires a reputation for being "easy" in the extension of credits, thus laying himself open to the plots and designs of

swindling debtors. By a discriminate seeking of new customers, however, and a liberal enlargement of the line of credit to old ones who are worthy, or, at least, considered to be so, (for no man is failure proof), the assured may easily and legitimately increase his annual sales by an amount which will yield in profits many times more than the cost of the insurance.

There are firms who take on credit insurance for a year or two, and if the unexpected doesn't happen, that is to say, if their losses have not during that time exceeded the exemption prescribed by the contract, they complain that credit insurance "doesn't pay;" yet most of these firms would regard as a calamity the occurrence of an accident which gives them occasion to collect money from a fire insurance company, and they are only too glad to go on paying premiums year after year, without desire to call upon the insurers.

There is not so much difference as is generally supposed between the principle of fire and credit insurance; the one insures merchandise on the shelves—the other insures it in the shape of personal accounts on the ledger. True the former demands no initial loss, while the latter does, but that is because a fire loss may not occur in a life time, while book account losses are of annual occurrence—the only question being, how much, and realization upon credit insurance being relatively the same as realization upon fire insurance, the one should be carried with the same purpose in view as the other, to wit: protection, pure and simple, against extraordinary happenings.

Being subject to sweeping and disastrous losses, which may be brought on either by sectional or general waves of mercantile failures, the business is naturally and correctly regarded as hazardous, and subject to sweeping losses; hence painstaking and discriminating conservatism is essential to its ultimate success. The company which expects to survive eventually must not only have abundant capital and surplus resources, but must be able to lay aside out of its earnings during prosperous years a loss-paying reserve for disastrous years, for it is possible in one single panic year to lose more than the legitimate profits of ten normal years.

To the credit man and those whose duties embrace passing upon credits, this form of insurance is of particular interest and benefit. Nothing supports and steadies a man's judgment better than self reliance, and nothing rattles him as quickly as lack of it. The knowledge of having at his back—or at the back of the firm—a credit insurance company which permits intelligent discrimination, but not blind recklessness in the exten-

sion of credits, and makes good the unavoidable errors of human judgment, inspires in him that placid condition of mind essential to a correct, cool and impartial sifting of the stability of a debtor. It is as bad for a credit man to be too conservative and turn down accounts which are worthy of credit, as it is for him to be careless and accept those which should be turned down. The merchant who is striving to build up his commercial edifice does not like to find his credit man rejecting accounts which credit men for other houses demonstrate to be worthy, any more than he likes to find him O. K. accounts which are unsound.

It is no reflection upon the credit man's judgment that the merchant carries credit insurance any more than it is a reflection on the mill watchman, for instance, that the mill owner carries fire insurance; it is the watchman's duty to prevent, if possible, the occurrence of a fire, but if the fire occurs in spite of his vigilance, the fire insurance company and not the watchman makes good the loss; so also is it the credit man's duty to prevent, if possible, the occurrence of excessive losses on book accounts; but if such losses occur despite his vigilance, the credit insurance company and not the credit man makes good the loss.

Credit insurance in this country dates back only to the year 1888, and is yet in its infancy, so far as volume is concerned, but the strides made during the past half dozen years in the way of improving, simplifying and broadening the contract forms is marvellous. The policy of to-day is no more like the policy of a half dozen years ago than the life insurance policy of to-day is like the policy of a half century ago.

It would be too much to claim that the system has reached perfection, for the ideas of the insured and the insurer are constantly drawing nearer together, and it is almost certain that in the near future credit insurance will be as important a factor in the commerce of the country, and of the world, as fire insurance or banking.

The Bankers and the Bankruptcy Law.

Editorial New York Times, Oct. 13, 1904.

We are at a loss to understand the action of the New York State Bankers' Association in advocating the repeal of the bankruptcy law. We suspect that the action was taken without careful investigation and deliberation.

The evidence that we have seen, especially that supplied in the reports and discussions of the Credit Men's Association, has not sustained the view announced in the resolutions as to the

operation of the law. But even if it be true that the cost of administering the law, especially in the case of small estates, is excessive, and that there is a tendency toward the practice of fraud in connection with it, these evils ought to be capable of correction through amendment. They do not seem to us to justify the total repeal of the law and throwing the country back upon the motley and complex and demoralizing mass of state laws on the subject of the collection of debts. What the enormous and varied evils of the inconsistent state systems were we all know only too well. And it should be remembered that they are the sole alternative to the continuation, and, if, required, the perfecting of the Federal law.

Certainly the bankers are wide of the mark when they say that the main object of the present law was to restore to business life the unfortunate victims of the business depression prevailing previous to its passage. That was one of its objects, of course, but its main object was to establish a uniform system which would care for these and would regulate permanently in all parts of the country the settlement of insolvent estates in a manner to stimulate honesty and check dishonesty. The latter purpose of the law, which, we believe, was accomplished with much skill, was altogether the most important. The principle of the law is that an honest insolvent, ready to give up all his assets to his creditors, shall have another chance, but that one dishonest, or

dishonestly reckless, shall not. If the law erred, it was not in giving sufficient emphasis to this standard of business integrity and not taking sufficient account of acts really inconsistent with it. There has been a strong movement to remedy this. It strikes us as much wiser than the movement in favor of repeal.

Bet a Daily Newspaper against Drug Store on Coming Election.

CRIPPLE CREEK, Colo., Sept. 26.—Papers are being drawn up this afternoon between P. H. Knowlton, editor and proprietor of the *Evening Star*, a daily newspaper, and Alderman John Wright, whereby the latter bets the Central drug store, which he owns, against the *Evening Star* that Teller County will give the Democratic ticket more than 1,000 majority at the November election.

Wright is Democratic Alderman from the Second Ward, and last evening battered Knowlton, who is a dyed-in-the-wool Republican, on the big vote the Democrats would poll at the forthcoming election. The argument grew heated, and finally Wright said that he would wager his drug store against the *Evening Star*. Knowlton proved game, and the two shook hands to seal the compact, agreeing that to-day they would have the necessary papers prepared.

The drug store is valued at \$10,000, and the newspaper the same amount.

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